

EBA/CP/2020/07

4 June 2020

Consultation Paper

Draft Implementing Technical Standards

on reporting requirements for investment firms under Article 54(3) and on disclosures requirements under Article 49(2) of Regulation (EU) 2019/2033

Draft Regulatory Technical Standards

on the monitoring of information related to the thresholds for credit institutions reporting requirements for investment firms under Article 55(5) of Regulation (EU) 2019/2033

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1. Responding to this consultation

The EBA invites comments on all proposals put forward in this paper and in particular on the specific questions summarised in Section 6.3.

Comments are most helpful if they:

- respond to the question stated;
- indicate the specific point to which a comment relates;
- contain a clear rationale;
- provide evidence to support the views expressed/ rationale proposed; and
- describe any alternative regulatory choices the EBA should consider.

Submission of responses

To submit your comments, click on the 'send your comments' button on the consultation page by 4 September 2020. Please note that comments submitted after this deadline, or submitted via other means may not be processed.

Publication of responses

Please clearly indicate in the consultation form if you wish your comments to be disclosed or to be treated as confidential. A confidential response may be requested from us in accordance with the EBA's rules on public access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the EBA's Board of Appeal and the European Ombudsman.

Data protection

The protection of individuals with regard to the processing of personal data by the EBA is based on Regulation (EC) N° 45/2001 of the European Parliament and of the Council of 18 December 2000 as implemented by the EBA in its implementing rules adopted by its Management Board. Further information on data protection can be found under the Legal notice section of the EBA website.

2. Executive Summary

1. The Investment Firms Directive (IFD) and the Investment Firms Regulation (IFR) were published in the Official Journal on 5 December 2019 and entered into force on 26 December 2019.
2. The IFR give a significant number of mandates to the European Banking Authority (EBA) covering a broad range of areas related to the prudential treatment of investment firms. In particular, this document puts forward the EBA's work on three major subjects:
 - a) The mandates related to the reporting requirements for investment firms pursuant Article 54 of IFR.
 - b) The mandates related to the reporting requirements for investment firms pursuant Article 55 of IFR.
 - c) The mandates related to the disclosure requirements for investment firms under Article 49 of IFR.

New ITS on supervisory reporting and disclosures of investment firms

3. This consultation paper proposes an ITS on supervisory reporting and disclosures which will cover all supervisory reporting and disclosures requirements for investment firms under IFR. A proportionate regulatory framework has been developed by the EBA taking into account the business of investment firms, their activity, size and interconnectedness.
4. There are commonalities of the information that investment firms have to report to their supervisors and the regulatory information that they have to make public in the interest of investors and external stakeholders. Therefore, consistency and integration between both frameworks should be targeted to the extent possible. To ensure consistency, an integration between supervisory reporting and disclosures was carried out throughout the integration between the reporting and disclosure requirements specifically with regard to the own funds templates.

New RTS on threshold reporting of investment firms

5. In addition, the consultation paper proposes a draft RTS on the monitoring of information related to the thresholds for credit institutions (under Article 55(5) of the IFR). A set of templates have been developed in order to assist competent authorities in the verification on the information mentioned above.

Next steps

6. After a consultation period of 3 months the EBA will deliver the final draft ITS and final draft RTS to the EU Commission in order to be aligned with the application of the IFR requirements. The EBA's submission of the final updated ITS and RTS to the EU Commission is expected to

take place in December 2020. The EBA will also develop the data-point model (DPM), XBRL taxonomy and validation rules based on the final draft ITS and RTS.

3. Background and rationale

3.1 Background

7. In December 2017 the European Commission adopted a proposal to amend the rules and requirements for investment firms in order to make them more proportionate and risk-sensitive, capturing their business models in a better way. As a result, the European Commission put forward a proposal for a new prudential framework for investment firms (in the form of a Regulation and a Directive), which was published in the Official Journal in December 2019. The new framework ensures that a differentiation is made between investment firms that are systemically important or are exposed to the same types of risks as credit institutions and continue to be under the scope of the CRR/CRD, and the rest of investment firms whose size and activities are unlikely to create comparable risks. The new IFR/IFD package covers small and non-interconnected investment firms (for the purposes of this consultation paper class 3 firms) and other investment firms other than small and non-interconnected investment firms (for the purposes of this consultation paper class 2 firms). IFR requires the development of several pieces of level 2 legislation in order to reflect and implement the new requirements for investment firms.
8. Investment firms will be subject to reporting requirements to the competent authorities on their compliance with the prudential framework. The IFR includes in Article 54 and 55 mandates to EBA to develop the reporting requirements for investment firms, specifically sets out requirements in terms of own funds, levels of minimum capital, concentration risk, liquidity requirements, level of activity in respect of small and non-interconnected investment firms and the reporting requirements for the purposes of the thresholds that apply for certain investment firms according Article 1(2) IFR.
9. Investment firms will be subject to disclosure requirements. The provisions on disclosure are contained in Articles 46 to 53 IFR. Accordingly, investment firms are required to disclose their capital resources, capital requirements, remuneration policies and practices and governance standards. Articles 49 and 52 IFR include the mandates to EBA to develop implementing technical standards on disclosure of own funds and regulatory technical standards on disclosure of investment policy.
10. The EBA provided the reporting and disclosure requirements for investment firms with a focus on developing a proportionate and fit for purpose reporting where the information reported should reflect the underlying regulation, and capture all the necessary information according to the nature, scale and level of risk of the activities of the investment firms. Moreover, the EBA has developed this standards in line with the principle of maximum harmonisation to ensure a uniform implementation of the requirements and facilitate its implementation.
11. A comprehensive and more standardised approach for developing reporting and disclosure framework is of crucial importance to the day to day work of supervisors and to promote market

discipline. Similarly to what was done in other areas of the reporting framework, the EBA has integrated Pillar 3 disclosures requirements with supervisory reporting by standardising the formats and definitions with a view to improving consistency between reporting and disclosures requirements, which should facilitate the compliance with both requirements.

12. The EBA will complement the reporting requirements defined in the relevant legal standards with a data point model (DPM). A DPM supports a harmonised implementation of the reporting framework. It bridges the gap between business definitions and IT: The business concepts are specified in the DPM according to formal rules, as required by IT specialists, while being still manageable by business experts and data users. The DPM provides the metadata support to fully automate the production of data exchange specifications, such as XBRL taxonomies, or other equivalent exchange formats.¹ The EBA will also develop XBRL taxonomy, but it will not be part of the ITS/RTS. The development of a DPM and XBRL taxonomy is not pre-empting any decision by competent authorities on the format in which the data will be collected by them.

3.2. Draft ITS on reporting requirements for investment firms under Article 54(3) and on disclosures requirements under Article 49(2) of IFR

13. Article 54 of IFR provides a mandate to the EBA to develop a regulatory reporting framework for investment firms, covering different areas. The EBA has developed adequate ITS attending to the specific business of investment firms and following the principle of proportionality with the aim to strike a balance between the reduction of costs of reporting for investment firms and the quality/effectiveness of supervision.
14. In that context, the EBA introduces with this ITS a different set of templates and instructions for class 2 investment firms (Annexes I and II of the Draft ITS) and a set of templates and instructions for class 3 firms (Annexes III and IV of the Draft ITS) where the supervisory reporting framework also incorporates different and tailored reporting templates with different frequencies. In addition, one template has been included to define the **size and level of activity thresholds** that will trigger the reporting requirements into one or the other classification of investment firms (class 2 and class 3).
15. Class 2 firms will need to report the different blocks of information detailed in the following subitems, while class 3 firms will provide information on Own funds and in some cases on Liquidity requirements (subject to competent authorities discretion).

3.2.1. Reporting requirements

Own funds: level, composition, requirements and calculation

16. The first block of information consist on a set of 5 templates:

¹ For further information on the EBA's data point model, please see <https://eba.europa.eu/risk-analysis-and-data/dpm-data-dictionary>

- **IF 01.00 – Own Funds:** provides information on the own funds composition. The template has been tailored from the template C 01.00 of Corep for credit institutions, in order to maintain only those items needed for the investment firms. In addition, a simplified version (IF 01.01) has also been provided for the class 3 firms which contains only the necessary items adapted to the size and business of small and non-interconnected investment firms. In the latter case, some deductions have not been included.
- **IF 02.01 – Own funds requirements:** investment firms shall reporty items such as the permanenet minimum capital requirement, fixed overheads requirement and total K-factor. Being this last item necessary only in the case of class 2 firms. In the set of templates for class 3 firms (IF 02.03) this item has not been included pursuant Article 11(2) of IFR. Other items such as additional own funds requirements and additional own funds guidance have been included to reflect additional capital due to SREP and guidance requirements and items to report as per the transitional provisions specified in Article 57 of IFR.
- **IF 02.02 – Capital ratios:** this template request investment firms to provide information related to the main capital ratios. The same items have been mantained for class 3 firms in template IF 02.04.
- **IF 03.00 – Fixed overhead requirements:** The template contains the items referred to in Article 13(4) of IFR for the calculation of the requirement, including the items further developed in the *Draft RTS to specify the calculation of the fixed overheads requirement and to define the notion of a material change (Article 13(4) of the IFR)*. The items provided in this template are the same in the case of class 3 firms (IF 03.01) by the exception of ‘Interest paid to customers on client money where this is at the firm’s discretion’ which are not included in the case of small and non interconnected investment firms.
- **IF 04.00 – Total K-Factor requirement calculations:** the template contains the relevant and necessary items for the calculation of the K-factor requirement. The template request investment firms to report the Factor amount without the application of the coefficients specified in the IFR, and to report the K-factor requirement.

Small and non-interconnected investment firms

17. Point (d) of Article 54(1) IFR request investment firms to report information regarding their level of activity with regard to the conditions specified in Article 12(1)IFR. The conditions according to the latter have been included in this template.
 - **IF 05.00 - Level of activity - thresholds review:** the template contains the different items for the review of the thresholds specified in Article 12(1) IFR. In addition, the template contains the breakdown by investment service. The same items have been considered for the reporting of class 3 firms.

K-Factor requirement – Additional details

18. The content of this section, consist on 13 templates, which shall be reported by class 2 firms.

19. The details for the calculations of the K-factor requirement are requested in the templates **IF 06.01 to IF 06.13**. The information provided in these templates corresponds to the additional details needed for calculating each K-factor. The templates include rows and columns to reflect the calculations of the factor amount of the reporting period. In addition, other templates include items needed to reflect the information on the calculation of the average monthly/daily values of the factor amount calculation.
- IF 06.09- K-Net position risk - K-NPR additional detail:** For the calculation of K-NPR, three methods can be used: the Standardised Approach (SA), the Alternative SA (ASA) and the alternative internal model approach (A-IM) defined in the CRR. Pursuant to Article 57(2) IFR, ASA and A-IM will not be applicable until 26 June 2026 or the date of application of those approaches to the credit institutions². During the transitional period investment firms are allowed to use internal models approach under CRR (IM).
The template IF 06.09 includes information related to the total under the SA and IM approaches. Given that the framework for calculating K-NPR is entirely built on the provisions of the CRR, additional details on the own funds requirements are to be provided in templates that are fully aligned with the templates on the standardised and internal model approaches applicable for credit institutions (COREP templates C 18.00 – C 24.00). They are included in the draft ITS on reporting and disclosures of investment firms by virtue to a reference to the ITS on reporting under the CRR.
 - IF 06.11 Trading counterparty default - TCD additional details:** The template includes core information on the calculation of the own fund requirements and exposure values in accordance with the methodology of Articles 26 and 27 IFR. Where investment firms make use of the derogation to apply the CRR framework in parts or in its entirety to the applicable exposures to determine K-TCD in accordance with Article 25(4) and (5) IFR, they are asked to report only high-level information in template IF 06.11, but have to provide additional details in templates taken from the framework applicable to credit institutions, namely COREP templates C 34.02 (CCR component) and C 25.00 (CVA component). The requirement to report these templates is defined by virtue of a cross-reference to the ITS on reporting under the CRR.

Concentration Risk

20. Concentration risk is reported under two separate parts:
- IF 07.00 - IF 07.05 - Concentration Risk:** the information on concentration risk has been included in different templates. As per Article 54(2) IFR, investment firms shall report the level of concentration risk with respect to credit institutions, investment firms and other entities where client money is held (IF 07.00), where client securities are deposited (IF 07.01), concentration risk with respect to the credit institutions where the investment firm's own cash is deposited (IF 07.02). The level of concentration risk from earnings (IF 07.03), the level of concentration risk associated with the trading book positions (IF

² Against this background, no information on these two approaches is included in this consultation paper. Reporting requirements on them will be defined closer to the time when the approaches become eligible.

07.04), the level of concentration risk of off-balance sheet items not recorded in the trading book (IF 07.05).

- **IF 08.00 – K-CON requirement:** the template has been designed following the articles contained in Part four of IFR. Specifically the template includes the necessary items in order to report information on the limits with regard to concentration risk and the exposure value excess pursuant Articles 36 and 37 IFR.

Liquidity Requirements

- **IF 09.00 – Liquidity requirements:** the information contained in the liquidity template contains the necessary items to reflect the liquid assets as per the LCR Delegated Regulation³. Some breakdown details have been included with regard to the different levels of liquid assets. In addition, client guarantees and unencumbered short term deposits have been included in the template. In the cases, when the competent authority may not exempt small and non-interconnected investment firms to report liquidity requirements an additional template has been included in Annex III (IF 09.01).

Group Capital Test

21. Article 8 IFR provides for an alternative and very simple approach to determine the own funds requirements and assess the adequacy of the available own funds for an investment firms group. This approach can only be applied subject to a permission being granted by the competent authority, and only by groups with a sufficiently simple group structure and a limited exposure of its clients or the market to its risk. Where investment firms groups benefit from the application of Article 8 IFR, they are asked to report a very limited and simple set of information:
 - **IF 11.01 - Own funds composition - group capital test (IF11.1):** information on the composition of own funds (aligned with the structure of template IF 01.00).
 - **IF 11.02 - Own fund instruments - group capital test (IF11.2):** information on the ‘own fund instruments’, i.e. intragroup holdings, contingent liabilities and total own funds requirements of the subsidiaries.
 - **IF 11.03 – Information on subsidiaries undertakings:** provides the relevant information on capital requirements, contingent liabilities, subordinated claims and holdings of financial sector entities at subsidiary level.

3.2.2 Disclosure requirements

22. **Part VI of Regulation (EU) 2019/2033** on the prudential requirements of investment firms (IFR) specifies the disclosure requirements for investment firms under the scope of application of the same regulation. In particular, **article 49** of the IFR specifies the disclosure requirements on own funds. The same article includes the mandate for the EBA to develop, in consultation with ESMA, draft implementing technical standards specifying the templates for the disclosure requirements under Article 49.

³ Articles 10 to 13 of Delegated Regulation (EU) 2015/61

23. In accordance with Article 46 of IFR Article 49 applies to:
 - a) Investment firms that do not meet the conditions for qualifying as small and non-interconnected investment firms set out in Article 12(1) of the IFR;
 - b) and to investment firms that meet the conditions for qualifying as small and non-interconnected investment firms set out in Article 12(1) which issue Additional Tier 1 instruments.
24. Prudential disclosures under the Pillar 3 framework play a key role in promoting market discipline through the public reporting of meaningful information on the risks to their financial position, capital or liquidity, thus reducing asymmetry of information between investment firms and users of information. The definition and implementation of granular, consistent and comparable disclosures templates, content and formats is a major step towards enhanced market discipline by allowing users of information to compare risk profiles of investment firms and make informed decisions.
25. The objective of this ITS is to ensure consistency and comparability of own funds disclosures by investment firms under the IFR, while ensuring proportionality. For this purpose, the draft ITS includes in this package the following three fixed templates developed in accordance with the CRR and keeping in mind the principle of proportionality.

Template IF EU CC1:

26. This template provides users with the necessary information on composition of own funds, such as Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and applicable filters and deductions applied to own funds of the investment firms, including the reconciliation of these items with the relevant items of the institutions' audited balance sheet, and a description of all restrictions applied to the calculation of own funds, in accordance with Article 49 (1)(a) and (b) of the IFR.
27. Disclosure requirements of own funds already existed under the Part Eight of CRR, which has been revised under the CRR2; hence related disclosure templates already exist and are being updated by the EBA in accordance with CRR2 (EBA-CP-2019-09); moreover, investment firm specific reporting templates have been developed based on Article 54 of the IFR. Following reasons relating to the complexity and size of investment firms as well as granularity of information, this template follows the implementation of the reporting requirements on own funds in accordance with Article 54 of IFR which already takes into account this principle of proportionality, and those disclosure specific requirements like the breakdown of deductions to own funds.
28. As such, this template is split into two parts in order to take into account the principle of proportionality and to allow for a better differentiation in disclosure requirements between class 2 and class 3 investment firms (with a simpler template for the latter). In addition to the reporting data, the template will have:
 - A column where the investment firm shall disclose the cross-reference of each own funds item with the relevant item in the balance sheet.

- The requirement for investment firms to describe in the narrative accompanying the template all restrictions applicable to the calculation of own funds.

Template IF EU CC2

29. This template provides users with a full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and applicable filters and deductions applied to own funds of the investment firm and the balance sheet in the audited financial statements of the investment firm, in accordance with Article 49(a) of the IFR. This template is based on the disclosure templates already existing under the CRR, namely template EU CC2 on reconciliation of regulatory own funds to balance sheet in the audited financial statements, included in annexes 7 and 8 of EBA-CP-2019-09. The flexibility of this template, which asks investment firms to replicate the breakdown of items of their audited balance sheets, accommodates both the need for proportionality and for flexibility for investment firms to include their own breakdown. This way, continuity in input is ensured for investment firms without upholding unnecessary complexity. This template applies to both class 2 and class 3 investment firms.

Template IF EU CCA:

30. This template reflects the requirement for investment firms to disclose a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the investment firm; following Article 49 (b) of the IFR. It has been developed taking as a basis the template on main features of regulatory own funds instruments and eligible liabilities instruments and it is to be adjusted where appropriate developed for the implementation of the equivalent disclosure requirement included in Article 437 of CRR, applicable to institutions under the scope of application of the same regulation. The template has been revised and adjusted in line with the provisions applicable to investment firms in the IFR (for example, all rows related to eligible liabilities and resolution aspects and those related to CRR transitional provisions have been dropped or adjusted to reflect any IFR transitional). The rationale for this is that the complexity of the template implementing the disclosure requirement in Article 49 (b) of the IFR is not dependent on the type of institution (credit institution or class 1 investment firms versus class 2 or class 3 investment firm), but rather depends on the complexity of the issuance and of the instrument according to the terms specified in the prospectus. This template applies to both to class 2 and to class 3 investment firms with issuances of AT1 instruments. A question is raised in the consultation paper asking for feedback to respondents on whether there is any need to amend the template for class 3 investment firms compared to class 2 investment firms, keeping in mind that the template should in any case convey the necessary information on CAT1, AT1 and T2 instruments. In case respondents are of the view that amendments should be applied to the template for class 3 investment firms, they are invited to specify what particular amendments they would propose.

3.3. Draft RTS on the monitoring of information related to the thresholds for credit institutions reporting requirements for investment firms under point (5) of Article 55 of IFR

31. Article 55(5) IFR requires the EBA to develop, in consultation with ESMA, an RTS 'to specify further the obligation to provide information to the relevant competent authorities referred to in paragraphs 1 and 2 in order to allow effective monitoring of the thresholds set out in points (a) and (b) of Article 8a(1) of Directive 2013/36/EU'. Thus, this regulatory product should provide NCAs with the tools for carrying out the ongoing monitoring of the EUR 30 bn threshold for investment firms, and more specifically with the necessary data.
32. Since the mandate requires the EBA 'to specify further the obligation to provide information', it is understood that a list of elements – data points – necessary to ensure the monitoring of the EUR 30bn threshold should be identified. Those elements should be in line with the methodology for the computation of the above-mentioned threshold, specified in the RTS under point (b) of Article 8a(6) CRD. Furthermore, it is understood that an 'effective monitoring' of the EUR 30bn threshold is best achieved, if competent authorities have access to the necessary information to compute the above-mentioned threshold themselves. Consequently, a reporting template is needed for the investment firms to fill in, and the reporting requirement should become an integral part of the rest of the reporting framework.
33. Therefore, in line with the draft RTS under point (b) of Article 8a(6) CRD, at a minimum monthly values of the total assets both for an individual firm, as well as for a group should be reported to the competent authorities on a quarterly basis (i.e. every quarter, three values should be reported, one for every month). Additionally, two data points should be included to enable the reporting of the average amount over the past 12 months of individual assets of any subsidiaries established outside the Union that carry out any of the activities referred to in points (3) and (6) of Section A of Annex I to Directive 2014/65/EU (MiFID).
34. The templates for the verification of total assets are provided in Annex I of the Draft ITS on Article 55(5) IFR and consist on a set of 3 templates:
 - **IF 10.01 - Verification of total assets at individual level and group test:**
 - **IF 10.02 - Total assets for group test:**
 - **IF 10.03 - Total assets for group test broken down by entity:**
35. The first of the three templates is to be submitted by investment firms at individual level to their competent authority. It includes both information about the relevant investment firm itself – its total assets (standalone) and its consolidated total assets (i.e. after the elimination of the intra-group assets) and, where the entity is part of a group, aggregate information about the group it belongs to. That latter information should be readily available to the investment firm as a consequence of the data exchange between group entities prescribed in Article 55 (1) and (2) IFR.
36. Where investment firms are part of a group, the information submitted by individual investment firms is complemented by a report of the parent entity of the group on the

aggregate total consolidated assets of the group and a breakdown of those total assets by entity, including the assets of relevant EU branches of the third-country parent that are to be considered for the assessment of the 30 bn EUR threshold in accordance with the RTS under point (b) of Article 8a(6) CRD. This information serves to verify the information reported by individual investment firms of the group as well as to monitor the distribution of the assets inside the group and their development, in particular in case of groups active across borders, with a view to understand whether any individual entity or the group as a whole is likely going to exceed, or fall below, the 30 bn threshold in the foreseeable future. In particular the information included in IF 10.03 will also enable competent authorities to monitor an investment firm's position in relation to the 15 bn threshold defined in Article 1 (2) IFR.

37. In light of the scope of application of the IFR, IF 10.02 and IF 10.03 are only to be submitted by parent entities of investment firms groups.
38. In line with Articles 55 (1) and (2) IFR, templates IF 10.01 to IF 10.03 are only to be submitted by relevant investment firms or parent entities where the total assets (consolidated assets) of the relevant investment firm itself or the consolidated assets of the investment firm group exceed 5 bn EUR.
39. It also needs to be noted that the reporting templates developed under IFR Article 55(5) only apply to investment firms that are standalone investment firms or that are part of an investment firm group. In contrast, any investment firm that is part of a banking group falls under the scope of application of the CRR and as such is not subject to these reporting requirements.

4. Draft implementing technical standards

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

of XXX

laying down implementing technical standards with regard to supervisory reporting and disclosures of investment firms in accordance with Regulation (EU) No 2019/2033 of the European Parliament and of the Council

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements for investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 806/2014 and in particular Article 49(2) and Article 54(3) thereof,

Whereas:

- (1) Regulation (EU) 2019/2033 of the European Parliament and of the Council⁴ (“IFR”) has introduced a mandate in Article 54 to develop a proportionate regulatory reporting framework for the new prudential regime of investment firms.
- (2) Without prejudice to the competent authorities ‘powers and with a view to increasing efficiency and reducing the administrative burden, a coherent reporting framework should be established on the basis of a harmonised set of standards. This Commission Implementing Regulation (EU) No xx/xx specifies, on the basis of Articles 54(2) of the IFR, the modalities in accordance with which investment firms are required to report information relevant to their compliance with the IFR.
- (3) The reporting requirements for investment firms should be tailored to the business of the investment firms and proportionate to the scale and complexity of different

⁴ Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements for investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 806/2014, OJ L 314, 5.12.2019, p. 1.

investment firms and should, in particular, take into account of whether investment firms are considered to be small and non-interconnected as per the conditions set in Article 12 of the IFR. It is, therefore, appropriate to set out separated reporting requirements for small and non-interconnected investment firms and for all the other investment firms regulated under the IRF

- (4) In accordance with Article 54(1) of the IFR, investment firms other than small and non-interconnected investment firms shall report information related to the level and composition of their own funds, their own funds requirements, the basis for the calculation of their own funds requirements, their liquidity requirements and their adherence to the provisions on concentration risk.
- (5) Pursuant Article 54(1) of the IFR, small and non-interconnected firms reporting should concern information related to the level and composition of their own funds, their own funds requirements, the basis for the calculation of their own funds requirements. Small and non-interconnected firms are not subject to the same level of detail of information as all the other investment firms regulated under IFR, hence, the reporting templates on K-factor calculation are not applicable to small and non-interconnected firms. In addition and pursuant Article 54(2) of IFR, small and non-interconnected firms shall be exempt from reporting on concentration risk and should be required to report on liquidity requirements only where such requirements apply to them.
- (6) All investment firms regulated under IFR shall report a template to monitor their activity profile and size in relation to the parameters and thresholds in order to evaluate whether they meet the criteria to be classified as a small and non-interconnected investment firm.. An investment firm that exceeds the regulatory thresholds or fails to meet the other conditions should not be considered as small and non-interconnected firm.
- (7) In order to provide transparency to their investors and the wider markets, the IFR requires firms other than small and non-interconnected investment firms to publicly disclose their levels of own funds, own funds requirements, governance arrangements, risk management and objectives, investment policy, remuneration policies and practices and information on ESG risks. Small and non-interconnected investment firms are not subject to public disclosure requirements, except where they issue Additional Tier 1 instruments in order to provide transparency to the investors in those instruments.
- (8) This Regulation, as mandated in Article 49 of the IRF, aims at responding to the need for consistent and comparable public information on own funds of investment firms. While proportionate, the provisions of this Regulation aim at ensuring that the templates and tables used by investment firms for own funds disclosures convey sufficiently comprehensive and comparable information on the composition and quality of their own funds.
- (9) More specifically, this Implementing Regulation introduces a quantitative disclosure template on composition of own funds and a flexible template on reconciliation of regulatory own funds with the audited financial statements. It also includes a template with information on the most relevant features of own funds instruments issued by the investment firm.
- (10) The disclosure template on composition of own funds has been built in close alignment with the related reporting template on the level and composition of own funds also specified in this Implementing Regulation. This approach ensures proportionality and facilitates its implementation. The disclosure template on full reconciliation of own

funds with the audited financial statements has been developed in a flexible and proportionate way, as the breakdown of the template will be based on the breakdown of the balance sheet in the investment firm's audited financial statements. Finally the template on main features of regulatory own funds is a fixed template and its complexity depends on the complexity of the own funds instruments.

- (11) This Regulation is based on the draft implementing technical standards submitted by the European Supervisory Authority (European Banking Authority) (EBA) to the Commission.
- (12) EBA has conducted an open public consultations on the draft implementing technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the opinion of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010⁵.

HAS ADOPTED THIS REGULATION:

TITLE I

SUBJECT MATTER AND SCOPE

Article 1

Subject matter and scope

1. This Implementing Regulation lays down:
 - a) in Title II the uniform reporting formats and templates, instructions and methodology on how to use those templates, the frequency and dates of reporting and the definitions for the reporting of investment firms to their competent authorities in accordance with Article 54 of Regulation (EU) 2019/2033;
 - b) in Title III uniform disclosure formats, and associated instructions in accordance with which investment firms shall make the disclosures required under Article 49 of Regulation (EU) 2019/2033.

TITLE II

SUPERVISORY REPORTING

⁵ Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12).

CHAPTER 1

REPORTING REFERENCE AND REMITTANCE DATES

Article 2

Reporting reference dates

1. Investment firms shall submit information to competent authorities as this information stands on the following reporting reference dates:
 - (a) Quarterly reporting: 31 March, 30 June, 30 September and 31 December;
 - (b) Annual reporting: 31 December.
2. Where investment firms are permitted by national laws to report their financial information based on their accounting year-end which deviates from the calendar year, reporting reference dates may be adjusted accordingly, so that the quarterly reporting of information is done every three months of the respective accounting year and the annual reporting at the accounting year-end.

Article 3

Reporting remittance dates

1. Investment firms shall submit information to competent authorities by close of business of the following remittance dates:
 - (a) Quarterly reporting: 12 May, 11 August, 11 November and 11 February;
 - (b) Annual reporting: 11 February.
2. If the remittance day is a public holiday in the Member State of the competent authority to which the report is to be provided, or a Saturday or a Sunday, data shall be submitted on the following working day.
3. Where investment firms report their information using adjusted reporting reference dates based on their accounting year-end as set out in Article 2 (2) of this Implementing Regulation, the remittance dates may also be adjusted accordingly so that the same remittance period from the adjusted reporting reference date is maintained.
4. Investment firms may submit unaudited figures. Where audited figures deviate from submitted unaudited figures, the revised, audited figures shall be submitted without undue delay. Unaudited figures are figures that have not received an external auditor's opinion whereas audited figures are figures audited by an external auditor expressing an audit opinion.
5. Corrections to the submitted reports shall be submitted to the competent authorities without undue delay.

CHAPTER 2

LEVEL OF APPLICATION, FORMAT AND FREQUENCY OF REPORTING

Article 4

Application of reporting requirements on an individual basis

In order to comply with the reporting requirements of Article 54 of Regulation (EU) 2019/2033 on an individual basis, investment firms shall report the information specified in Articles 6, 7 and 8 of this Implementing Regulation with the frequency specified therein.

Article 5

Application of reporting requirements on a consolidated basis

In order to comply with the reporting requirements referred to in Article 54 of Regulation (EU) 2019/2033 on a consolidated basis, investment firms shall report the information specified in Article 6 and 7 of this Implementing Regulation.

Article 6

Format and frequency of reporting by investment firms other than small and non-interconnected investment firms

1. Investment firms that do not meet the conditions specified in Article 12(1) of Regulation (EU) 2019/2033 shall report the information set out in Article 54(1) and (2) of Regulation (EU) 2019/2033 in the templates of Annex I in accordance with the instructions of Annex II with a quarterly frequency.
2. In addition to the information referred to in paragraph 1, investment firms that do not meet the conditions specified in Article 12(1) of Regulation (EU) 2019/2033 and that determine the RtM K-factor requirement on the basis of K-NPR in accordance with Article 21(1) of that Regulation shall report the information specified in templates C 18.00 to C 24.00 of Annex I to [Implementing Regulation (EU) xx/xx]⁶ in accordance with instructions set out in section 5 of Annex II to that Implementing Regulation with a quarterly frequency.
3. In addition to the information referred to in paragraph 1, investment firms that do not meet the conditions specified in Article 12(1) of Regulation (EU) 2019/2033 and that are subject to the obligation to comply with the provision of Section 1 of Chapter 4 of Title II of Part Three of that Regulation shall report the information specified in template C 34.02 and

⁶ To EU Commission to replace with the new version of Implementing Regulation 680/2014.

C25.00 of Annex I to [Implementing Regulation (EU) xx/xx] in accordance with instructions set out in Annex II to that Implementing Regulation with a quarterly frequency.

Article 7

Format and frequency of reporting by small and non-interconnected investment firms

1. Small and non-interconnected investment firms set out in Article 12(1) of Regulation (EU) 2019/2033 shall report the information set out in the templates of Annex III pursuant to the instructions of Annex IV with an annual frequency. Where such an investment firm benefits from the exemption based on the second subparagraph of Article 43(1) of Regulation (EU) 2019/2033, it is exempted from the duty to submit the information specified in template IF 09.01 of Annex III to this Implementing Regulation.
2. Investment firms shall commence reporting the information specified in paragraph (1) as soon as they are considered small and non-interconnected investment firms pursuant to the provisions of Article 12(4) of Regulation (EU) 2019/2033.
3. As soon as investment firms do not meet the conditions to be considered as small and non-interconnected investment firms pursuant to Article 12(3) of Regulation (EU) 2019/2033, they shall cease reporting the information specified in paragraph (1) and shall commence reporting the information set out in Article 6.

Article 8

Format and frequency of reporting by entities benefitting from Article 8 of Regulation (EU) 2019/2033

By derogation from Articles 6 and 7 of this Implementing Regulation, entities referred to in Article 8(3) of Regulation (EU) 2019/2033 that are benefitting from the application of that same Article shall report the information set out in the templates of Annex VIII in accordance with the instructions of Annex IX with a quarterly frequency.

CHAPTER 3

DATA PRECISION AND INFORMATION ASSOCIATED WITH SUBMISSIONS

Article 9

1. Investment firms shall submit the information referred to in this Implementing Regulation in the data exchange formats and representations specified by competent authorities and respecting the data point definition of the data point model and the validation formulae specified in Annex V as well as the following specifications:
 - (a) information that is not required or not applicable shall not be included in a data submission;
 - (b) numeric values shall be submitted as facts pursuant to the following conventions:

- (i) data points with the data type 'Monetary' shall be reported using a minimum precision equivalent to thousands of units;
 - (ii) data points with the data type 'Percentage' shall be expressed as per unit with a minimum precision equivalent to four decimals;
 - (iii) data points with the data type 'Integer' shall be reported using no decimals and a precision equivalent to units.
- (c) Investment firms shall be identified by their Legal Entity Identifier (LEI). Legal entities and counterparties other than investment firms shall be identified by their LEI where available.
3. Information submitted by investment firms on the basis of this Implementing Regulation shall be associated with the following information:
- (a) reporting reference date and reference period;
 - (b) reporting currency;
 - (c) accounting standard;
 - (d) identifier of the reporting institution (LEI);
 - (e) scope of consolidation.

TITLE III

PUBLIC DISCLOSURE BY INVESTMENT FIRMS

CHAPTER 1

FREQUENCY OF DISCLOSURES AND DISCLOSURE POLICIES

Article 10 *Disclosure principles*

1. Information to be disclosed in accordance with Article 12 of this Implementing Regulation shall be subject to the following principles:
- (a) Disclosures shall be subject to the same level of internal verification as that applicable to the management report included in the investment firm's financial report
 - (b) Disclosures shall be clear. They shall be presented in a form that is understandable to users of information and communicated through an accessible medium. Important messages shall be highlighted and easy to find. Complex issues shall be explained in simple language. Related information shall be presented together.
 - (c) Disclosures shall be meaningful and consistent over time to enable users of information to compare information across disclosure periods.
 - (d) Quantitative disclosures shall be accompanied by qualitative explanations and any other supplementary information that may be necessary in order for the users of that information to understand them, noting in particular any significant change in any given disclosure compared to the information contained in the previous disclosures.

CHAPTER 2

UNIFORM DISCLOSURE FORMATS AND INSTRUCTIONS

Article 11

Disclosure of own funds by investment firms

1. Investment firms shall make the disclosures on own funds required in Article 49(1) of Regulation (EU) No 2019/2033, in accordance with the templates of Annex VI and the relevant instructions set out in Annex VII.

CHAPTER 3

GENERAL DISCLOSURE PROVISIONS

Article 12

1. Where disclosing information in accordance with this Implementing Regulation, investment firms shall ensure that numeric values are submitted as facts pursuant to the following:

(a) Quantitative monetary data shall be disclosed using a minimum precision equivalent to thousands of units;

(b) Quantitative data disclosed as 'Percentage' shall be expressed as per unit with a minimum precision equivalent to four decimals.

3. Where disclosing information in accordance with this Implementing Regulation, investment firms shall ensure that the data are associated with the following information:

(a) disclosure reference date and reference period;

(b) disclosure currency;

(c) name and where relevant, identifier of the disclosing institution (LEI);

(d) where relevant, accounting standard; and

(e) where relevant, scope of consolidation

TITLE IV

FINAL PROVISIONS

Article 13

This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

It shall apply from 26 June 2021.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the
Commission The
President*

ANNEXES

Please see separate files

- Annex I - Reporting for investment firms other than small and non-interconnected – templates
- Annex II - Reporting for investment firms other than small and non-interconnected – instructions
- Annex III - Reporting for small and non-interconnected investment firms – templates
- Annex IV - Reporting for small and non-interconnected investment firms – instructions
- Annex V - DPM and validation rules
- Annex VI - Disclosure on Own funds – templates
- Annex VII - Disclosure on Own funds – instructions
- Annex VIII - Reporting on the group capital test - templates
- Annex IX - Reporting on the group capital test - instructions

5. Draft regulatory technical standards

COMMISSION DELEGATED REGULATION (EU) No .../..

of XXX

[...]

supplementing Regulation (EU) 2019/2033 of the European Parliament and of the Council with regard to regulatory technical standards specifying the obligation to provide information to the relevant competent authorities in order to allow effective monitoring of the thresholds set out in points (a) and (b) of Article 8a(1) of Directive 2013/36/EU

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements for investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 806/2014 and in particular Article 55(5) thereof,

Whereas:

- (13) Regulation (EU) 2019/2033 of the European Parliament and of the Council⁷ (“IFR”) has introduced a mandate on Article 55(5) to develop Regulatory technical standards to specify further the obligation to provide information to the relevant competent authorities in order to allow effective monitoring of the thresholds set out in points (a) and (b) of Article 8a(1) of Directive 2013/36/EU⁸. For this purpose, a coherent reporting framework should be established on the basis of a harmonised set of standards. This Regulation should also specify, on the basis of Articles 55 of Regulation (EU) No 2019/2033, the modalities according to which investment firms are required to report information related to the total assets value for the ongoing monitoring of the thresholds specified in that Article.

⁷ Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements for investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 806/2014, OJ L 314, 5.12.2019, p. 1.

⁸ Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending directive 2002/87/EC and repealing directives 2006/48/EC and 2006/49/EC, OJ L 176, 27.6.2013, p. 338.

- (14) In order to effectively monitor the threshold set out in points (a) and (b) of Article 8a(1) of Directive 2013/36/EU, the methodology for its calculation set out in Regulation ... [draft RTS on CRD 8a (6).b] should be taken into account. In particular, the total assets of branches in the EU of third-country groups and subsidiaries of EU groups in third countries should be reported in order to allow the competent authority of the group supervised on a consolidated basis to assess the calculation of the level of total assets.
- (15) The information for the effective monitoring of the threshold set out in points (a) and (b) of Article 8a(1) of Directive 2013/36/EU can be reported at individual level by the investment firms which are not part of a group without the risk of any duplicated information. However, the information for the effective monitoring of that threshold for the investment firms which are part of a group should be reported by the EU parent undertaking; otherwise the same information would need to be reported multiple times by each single investment firm referred to in Article 55(2).
- (16) This Regulation is based on the draft implementing technical standards submitted by the European Supervisory Authority (European Banking Authority) (EBA) to the Commission.
- (17) EBA has conducted open public consultations on the draft implementing technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the opinion of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010⁹.

HAS ADOPTED THIS REGULATION:

CHAPTER 1

SUBJECT MATTER, SCOPE AND DEFINITIONS

Article 4

Subject matter and scope

This Regulation specifies the obligation to provide information referred to in paragraphs 1 and 2 of Article 55 of Regulation (EU) 2019/2033 by laying down uniform reporting formats and templates, instructions and methodology on how to use those templates the frequency and dates of such reporting.

Article 2

Definition

For the purposes of this Regulation, the following definition applies:

⁹ Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12).

(1) ‘relevant investment firm’ means an investment firm including a Union parent investment firm, a Union parent financial holding company or a Union parent mixed financial holding company, subject to an obligation to provide information to competent authorities as set out in paragraphs 1 and 2 of Article 55 of Regulation (EU) 2019/2033.

CHAPTER 2

REPORTING REFERENCE AND REMITTANCE DATES

Article 5

Reporting reference dates

2. Relevant investment firms shall submit the information referred to in paragraphs 1 and 2 of Article 55 of Regulation (EU) 2019/2033 with a quarterly frequency as this information stands on the 31 March, 30 June, 30 September and 31 December.
3. Where the relevant investment firms are permitted by national laws to report their financial information based on their accounting year-end which deviates from the calendar year-end, reporting reference dates may be adjusted accordingly, so that reporting of information is done every three, six, nine or twelve months from their accounting year-end, respectively.

Article 6

Reporting remittance dates

1. Relevant investment firms shall submit the information referred to in paragraphs 1, and 2 of Article 55 of Regulation (EU) 2019/2033 by close of business of the following remittance dates: 12 May, 11 August, 11 November and 11 February.
2. If the remittance day is a public holiday in the Member State of the competent authority to which the report is to be provided, or a Saturday or a Sunday, data shall be submitted on the following working day.
3. Where the relevant investment firms report their information using adjusted reporting reference dates based on their accounting year-end as set out in Article 2 (2) of this Regulation, the remittance dates may also be adjusted accordingly so that the same remittance period from the adjusted reporting reference date is maintained.
4. Investment firms may submit unaudited figures. Where audited figures deviate from submitted unaudited figures, the revised, audited figures shall be submitted without undue delay. Unaudited figures are figures that have not received an external auditor's opinion whereas audited figures are figures audited by an external auditor expressing an audit opinion.
5. Corrections to the submitted reports shall be submitted to the competent authorities without undue delay.

CHAPTER 3

LEVEL OF APPLICATION, FORMAT AND FREQUENCY OF REPORTING

Article 4

1. Relevant investment firms shall report at individual level submitting the information set out in the templates IF 10.01 of Annex I according to the instructions of Annex II with a quarterly frequency.
2. Where relevant investment firms are part of a group, the Union parent investment firm, the Union parent financial holding company or the Union parent mixed financial holding company shall also report at consolidated level submitting the information set out in the templates IF 10.02 and IF 10.03 of Annex I according to the instructions of Annex II.

CHAPTER 4

DATA PRECISION AND INFORMATION ASSOCIATED WITH SUBMISSIONS

Article 5

1. Relevant investment firms shall submit the information referred to in this Regulation in the data exchange formats and representations specified by competent authorities and respecting the data point definition of the single data point model and the validation rules specified in Annex III as well as the following specifications:
 - (a) information that is not required or not applicable shall not be included in a data submission;
 - (b) numeric values shall be submitted as facts according to the following convention: data points with the data type 'Monetary' shall be reported using a minimum precision equivalent to thousands of units;
 - (c) Investment firms shall be identified solely by their Legal Entity Identifier (LEI). Legal entities and counterparties other than institutions shall be identified by their LEI where available.
2. Information submitted by the relevant investment firms on the basis of this Regulation shall be associated with the following information:
 - (a) reporting reference date and reference period;
 - (b) reporting currency;
 - (c) accounting standard;
 - (d) identifier of the reporting institution (LEI);
 - (e) scope of consolidation.

CHAPTER 5

FINAL PROVISIONS

Article 6

This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

It shall apply from 26 June 2021.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the
Commission The
President*

ANNEXES

Please see separate files

Annex I – Reporting of thresholds - templates
Annex II – Reporting of thresholds - instructions
Annex III - Validation rules and DPM

6. Accompanying documents

6.1 Additional clarifying examples

- 40. The following example are only included for illustrative purposes for the purpose of the reporting of templates IF 06.00 for the reporting of additional details on the K – factor calculation.
- 41. The example below illustrates how to report the templates on COH for the period of March 2022.

TimeLine

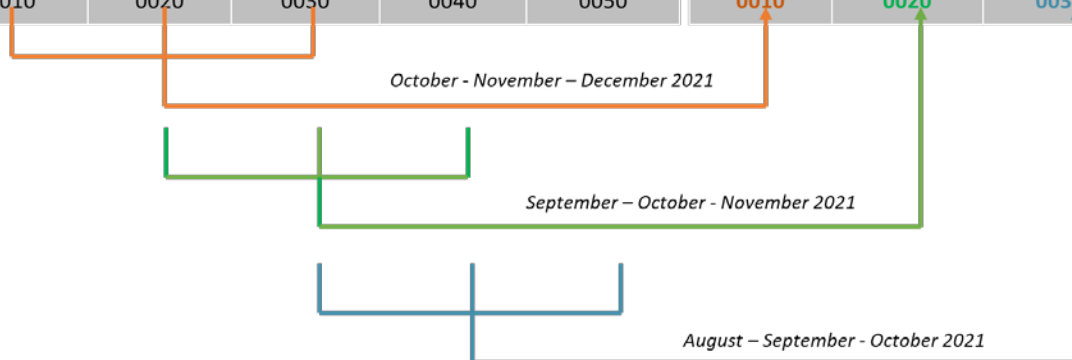
Month t	Month t-1	Month t-2	Month t-3	Month t-4	Month t-5	Month t-6	Month t-7
March 2022	February 2022	January 2022	December 2021	November 2021	October 2021	September 2021	August 2021

IF 06.08

Monthly averages of total daily client orders handled values				
December 2021	November 2021	October 2021	September 2021	August 2021
0010	0020	0030	0040	0050

IF 06.07

Factor amount		
March 2022	February 2022	January 2022
0010	0020	0030



6.2 Draft cost-benefit analysis / impact assessment

Following Article 10 and 15 of Regulation (EU) No 1093/2010 (EBA Regulation), the EBA shall analyse the potential costs and benefits of draft regulatory and implementing technical standards, respectively. RTS and ITS developed by the EBA shall therefore be accompanied by an Impact Assessment (IA) which analyses ‘the potential related costs and benefits’.

This analysis presents the IA of the main policy options included in this Consultation Paper on the draft ITS on disclosure templates and instructions for investment firms as envisaged under Article 49 of the new regulation on the prudential treatment of investment firms (Regulation (EU) 2019/2033, IFR), the draft ITS on reporting templates and instructions as envisaged under Article 54(3) of the new regulation, as well as the draft RTS specifying the obligation to provide information to the relevant competent authorities as envisaged under Article 55(5). The IA is high level and qualitative in nature.

A. Problem identification and background

The EU population of investment firms is both large and extremely diverse. There are around 2500 investment firms authorised by MiFID in the EU¹⁰ and all these firms vary greatly in terms of size, business model, risk profile, complexity and interconnectedness, ranging from one-person companies to large internationally active groups.

Currently, the prudential treatment of investment firms is set out under the CRR/CRDV framework. Depending on the services they provide, and their complexity or size, some of the investment firms are exempt from prudential regulation, some are subject to lighter prudential regulation, and others are subject to the full CRR/CRD rules.

Being covered by the same prudential regulation has led to a situation in which certain investment firms need to undergo the same complex calculations and processes as banks in order to calculate capital requirements for risks that are not relevant for their business models. In December 2017 the European Commission adopted a proposal to amend the rules and requirements for investment firms in order to make them more proportionate and risk-sensitive, capturing their business models in a better way. As a result, the European Commission put forward a proposal for a new prudential framework for investment firms (in the form of a Regulation and a Directive), which was published in the Official Journal in December 2019. The new framework ensures that a differentiation is made between class 1 investment firms that are systemically important or are exposed to the same types of risks as credit institutions and who continue to be under the scope of the CRR/CRDV, and the rest of investment firms whose size and activities are unlikely to create comparable risks.¹¹ The new IFR/IFD package covers such class 2 and class 3 investment firms, which include other investment firms and small and non-interconnected investment firms, respectively.

IFR requires the development of several pieces of level 2 legislation in order to reflect and implement the new requirements for investment firms. Specifically, Article 49 of the IFR specifies the disclosure requirements on own funds. The same article includes the mandate for the EBA to develop, in

¹⁰ [Report on Investment Firms- EBA’s Response to the Commission’s Call for Advice \(2015\)](#)

¹¹ See also the [Inception Impact Assessment](#) conducted in 2017 by the EC, ESMA and EBA.

consultation with ESMA, draft implementing technical standards specifying the templates for the disclosure requirements under Article 49.

With regards to reporting, Article 54 of the regulation mandates the EBA to develop new templates and instructions to lay down the formats, reporting dates and definitions of the reporting requirements applicable to investment firms.

Lastly, Article 55(5) mandates the EBA to develop templates further specifying the obligation by investment firms to provide information to the relevant competent authorities in order for competent authorities to be able to monitor the thresholds in place and to determine whether firms are to be covered by the CRR or the IFR (in other words, monitoring investment firms' size).

B. Policy objectives

New disclosure templates on own funds, reporting templates and templates for the monitoring of total assets are crucial to complete the new prudential framework for investment firms.

The policy objective of the ITS on disclosure is to ensure consistency and comparability of own funds disclosures by investment firms in accordance with Article 49 of the IFR, whilst at the same time ensuring that this is achieved in the most effective, proportional and streamlined way for both investment firms and users of the data.

Similarly, the draft ITS and RTS on reporting have been created to ensure consistent reporting by investment firms and enable competent authorities to consistently monitor the size of investment firms under their remit and, based on this, reach conclusion on the applicable regulatory framework. Specifically, the ITS on reporting have been drafted to reflect Article 54: to be 'concise, proportionate to the nature, scope and complexity of the activities of the investment firms, taking into account the differences in the level of detail of information submitted by an investment firm that meets the conditions for qualifying as a small and non-interconnected investment firm set out in Article 12(1)'.

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

Section C. presents the main policy options discussed and the decisions made during the development of the templates and instructions. Advantages and disadvantages, as well as potential costs and benefits of the policy options and the preferred options resulting from this analysis are assessed below.

Section C. is split into three parts, discussing in turn disclosure templates, reporting templates, and the reporting templates developed for monitoring investment firms' total assets.

Draft ITS on reporting and disclosure templates pursuant to Articles 49 and 54 of IFR

PART I – Disclosure templates (IFR Article 49)

Throughout the policy options considered below, the choice has always been whether to build the new disclosure templates for investment firms from scratch or whether to base them on existing, related templates. Of the latter, several templates already exist or are under development:

- **Disclosure templates** on own funds already exist for institutions subject to disclosure requirements under Part Eight of the CRR, and are being updated following the revised disclosure requirements included in the CRR II.
- The EBA is developing **supervisory reporting templates for investment firms** in accordance with Article 54 of the IFR.
- Finally, templates for **supervisory reporting of own funds by institutions under the CRR** already exist (COREP).

When assessing the policy options, the analysis has taken into account the principle of proportionality and, where relevant, the need of integration with supervisory reporting.

- **Basis for the own funds templates (EU IF CC1)**

Option 1a: Use as a basis the disclosure templates for financial institutions under the CRR and adapt them accordingly for investment firms

Option 1b: Build the disclosure templates based on reporting templates for investment firms

Option 1c: Develop new disclosure templates from scratch

Article 49 of the IFR sets out the disclosure requirements on own funds for investment firms and the mandate for the EBA to implement these. Instead of building new templates from scratch, designing and building the templates based on templates already existing on own funds has been assessed as the preferred option, and Option 1c has therefore been eliminated. This will facilitate the implementation of the disclosure templates by investment firms and ensure consistency of the data provided by them under the different frameworks.

Article 49(1)(a) requires the inclusion of detailed information on the composition of own funds, including Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and applicable filters and deductions applied to own funds of the investment firms, including the reconciliation of these items with the relevant items of institutions' audited balance sheet. Article 437 of the CRR requires similar disclosures by institutions under the scope of Part Eight of the CRR, and the related disclosure templates are included in the EBA-CP-2019-09.¹² As such, using the disclosure templates developed under the CRR might seem a reasonable choice. Following proportionality considerations, it was

¹² [EBA-CP-2019-09 on draft Implementing Technical Standards on public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation \(EU\) No 575/2013](#)

however assessed that it is not advisable to use the disclosure templates under the CRR as a basis. The level of complexity and granularity of the latter is excessive, and there are also important differences in terms of the underlying regulations on own funds.

The reporting templates developed in accordance with Article 54 of the IFR take into account the principle of proportionality and are developed reflecting the level of complexity and size of investment firms. They include all the information that institutions are required to disclose, such as the breakdown of deductions to own funds. Consequently, **Option 1b has been chosen as the preferred option**. The new disclosure templates EU IF CC1 have been designed building on the reporting templates on own funds under the IFR, specifically template IF 01 of the reporting package that is also part of this consultation paper. The disclosure template implements the different breakdowns for class 2 and class 3 investment firms, as specified in the reporting package. The only addition that has been made compared to the reporting templates is column b, where investment firms are asked to include the cross reference to the relevant item of their audited balance sheet (see further discussion on this below). The disclosure templates further require investment firms to provide qualitative explanations on the composition of own funds and on the applicable restrictions and deductions.

Choosing templates applicable to the same institutions as the basis for the new disclosure templates aims at providing continuity and minimise the burden on investment firms in transitioning to the new requirements.

- **Reconciliation of accounting and regulatory data (EU IF CC2)**

Option 2a: Reconciliation of regulatory and audited financial data through a new template on audited figures developed from scratch

Option 2b: Reconciliation of regulatory and audited financial data through the template on audited figures existing already under the CRR

IFR Article 49(1)(a) requires investment firms to disclose a full reconciliation of own funds and the balance sheet in the audited financial statements of the investment firms. Following this requirement, investment firms have to disclose the differences between the scope of accounting consolidation and the scope of regulatory consolidation, showing the link between the balance sheet in their published financial statements and the numbers that are disclosed in the composition of own funds in Template EU IF CC1. The cross-reference to audited financial statements will be implemented through an additional template (EU IF CC2) on the audited financial statements, which will in turn be cross referenced to the relevant item in template EU IF CC1 (i.e. next to the items in the balance sheet relevant for regulatory own funds).

Similar to the different options available for the design of the own funds disclosure templates discussed above, the additional template on audited financial statements can be either developed from scratch, or be based on the disclosure templates already existing under the CRR, namely template EU CC2 on the reconciliation of regulatory own funds with the balance sheet in the audited financial statements.¹³ This template requires institutions to replicate the breakdown of items of their

¹³ See Annexes 7 and 8 of [EBA-CP-2019-09 on draft Implementing Technical Standards on public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation \(EU\) No 575/2013](#)

audited balance sheets. Its design is sufficiently flexible to accommodate both the need for proportionality and for flexibility by investment firms, by enabling them to include the breakdown of their own financial statements. **Option 2b has therefore been chosen as the preferred option.**

This way, again continuity in input is ensured for investment firms without upholding unnecessary complexity.

- **Template on main features of own instruments issued by the firm (EU IF CCA)**

Option 3a: Build on the template on the main features of regulatory own funds instruments and eligible liabilities instruments (already developed under the CRR) and adjust it where appropriate

Option 3b: Create a new template for investment firms on the main features of own funds issued from scratch

IFR Article 49(1)(b) requires investment firms to disclose a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued. Again, a disclosure template on the main features of own fund instruments has already been developed to implement the related requirement under Article 437 of the CRR for institutions subject to Part Eight of the same regulation (see annexes 7 and 8 of EBA-CP-2019-09 16 October 2019).

In line with the previous policy choices, **Option 3a, to build on the disclosure template on the main features of regulatory own funds instruments and eligible liabilities instruments developed under the CRR and adjust it where appropriate, has been chosen as the preferred option.** The rationale is that the complexity in this context is not dependent on the type of institution (credit institution versus investment firm), but rather depends on the complexity of the issuance and of the instrument according to the terms specified in the prospectus. As such, existing templates under the CRR provide a very good basis on which the new templates can be built.

Again, this policy choice ensures maximum continuity for investment firms and users of disclosed data.

PART II – Reporting templates (IFR Article 54)

- **Own funds templates: level, composition, requirements and calculation (IF1, IF2 and IF3)**

Option 4a: Have one set of templates on own funds for class 2 and class 3 investment firms, with differing reporting requirements for the two

Option 4b: Have two separate sets of reporting templates for class 2 and class 3 investment firms, reflecting the different granularity of the reporting requirements

Regulation 2019/2033 through Article 12 sets out the classification of different types of investment firms by size. Firms are classified into ‘small and non-interconnected investment firms’, so called class 3 investment firms, and bigger ones, class 2 investment firms.¹⁴ Class 3 investment firms are exempt

¹⁴ Class 1 investment firms are the systemically important ones and which will fall under CRR/II/CRDV rules still.

from certain requirements, including on calculations related to own funds. K- factor requirements for instance do not need to be calculated for Class 3 investment firms.

As such different prudential requirements also imply that reporting requirements differ across class 2 and class 3 investment firms. Option 4a, to still have both types of investment firms reporting under the same set of templates, but requiring class 3 firms to only submit certain items, has been eliminated. Having both class 2 and class 3 firms reporting in the same set of templates would require to shade certain cells differently to indicate that they do not need to be filled in by everyone and in general would make the templates quite convoluted and complex. Instead, **Option 4b has been identified as the preferred option**. Having two separate set of templates will improve the readability and usability of the templates for both investment firms completing the templates and competent authorities receiving and assessing the data.

- **Total K- Factor requirement calculations (IF4)**

Option 5a: Include detailed breakdowns for the calculation of each K-factor

Option 5b: Include only the total K-factor items needed for the calculation of the total K-factor requirement

The IFR in Point (c) of Article 11(1) sets out the K-factor requirement calculations and pursuant to point (b) of Article 54(1) class 2 investment firms should report their K-factor requirement calculations (K-factor requirements do not apply to class 3 firms following Article 11(2)). K-factor requirements consist of the sum of at least the Risk-to-Client (RtC) K-factors, the Risk-to-Market (RtM) K-factors and the Risk-to-Firm (RtF) K-factors.

All relevant K-factors are included in template IF5, where investment firms will have to report the factor amount and the K-factor requirement. Consistent with the choice made under the previous option, it has been decided to keep the templates as clear and streamlined as possible and maximise readability and usability for all users. Additional possible breakdowns of the K-factors have therefore not been included in the template and, **Option 5b has been chosen as the preferred option**. For supervisory purposes, more insight into further details on the calculations is contained in template IF6.

- **Liquidity requirement templates (IF9)**

Option 6a: Liquidity requirement templates to map one-to-one existing LCR templates for credit institutions

Option 6b: Liquidity requirement templates to build on existing LCR templates for credit institutions, but less granular information to be included

Article 54 of the IFR regulation mandates EBA to develop templates on the liquidity requirements of investment firms. Article 43 in turn sets out investment firms' liquidity requirements. For the purpose of defining liquid assets, the article refers to the Commission Delegated Regulation (EU) 2015/61,

which supplements the CRR on the LCR requirements for credit institutions.¹⁵ As such, definitions such as liquid assets level 1 and level 2 are already clearly defined also for investment firms. Further, since LCR reporting requirements and templates for credit institutions already exist, the liquidity templates for investment firms can hence be directly built on these.

However, not all items listed in the LCR requirements for credit institutions are relevant for investment firms and would hence be left blank also in the reporting templates. On the one hand, the direct reference in the IFR's Article on the liquidity requirements to the delegated regulation on the LCR for credit institutions, would imply that all items included in the latter need to also be included for reporting purposes of investment firms. On the other hand, it can be argued that a clear case for reflection exists in cases where it is easy to show that entries are not relevant for investment firms.

Therefore, **Option 6b has been chosen** as the preferred option and a balance has been struck to very closely follow the LCR reporting templates for credit institutions, but to eliminate those entries that are unambiguously not relevant for investment firms.

Draft RTS on monitoring of total assets pursuant to Article 55(5) IFR

PART III – Reporting templates on total assets (IFR Article 55)

The CRR II has introduced new criteria for the definition of credit institutions. This now includes investment firms with total assets equal to or above EUR 30 bn, or investment firms where the consolidated value of total assets of all investment firms in the group is equal to or exceeds EUR 30 billion, implying that they would again be subject to the CRR. Consequently, CRR II in its new Article 8(a)(1) sets out the conditions (assets or all the group's investment firms' consolidated assets equal to or greater than EUR 30 bn) when investment firms need to apply for authorisation as a credit institution.

IFR Article 55(5) mandates the EBA to develop draft regulatory technical standards to specify further the obligation to provide information on total assets to the relevant competent authorities, to allow effective monitoring of the 30 bn threshold.

Option 7a: Require every investment firm to report on all three templates developed

Option 7b: Require every investment firm to report on template 10.01, but templates 10.02 and 10.03 only to be filled in at consolidated level

The criteria when an undertaking needs to submit an application for authorisation as credit institution laid out in CRR II Article 8(a)(1), include both a solo and a group test. It is not only about the absolute size of an individual investment firm, but also about the consolidated size of the investment group as a whole. Therefore, the reporting templates need to capture information both at individual firm level, as well as at the group level. One option to achieve this would be to subject all investment firms to the obligation to report on the same information, making the reporting process simple and

¹⁵ [Commission Delegated Regulation \(EU\) 2015/61 to supplement Regulation \(EU\) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions](#)

transparent. However, this has been assessed as too burdensome for individual investment firms. It is expected that the latter do not have a complete picture of the group structure (which is to be reported in template 10.03, asking for information of total group assets, broken down by entity). In addition, it would imply that all investment firms belonging to the same group are reporting the same group information in templates 10.02 and 10.03, which would be inefficient and replicating efforts by both institutions and competent authorities. Therefore, Option 7a has been eliminated.

Instead, templates 10.02 and 10.03 are only to be reported at the group level, **Option 7b has been chosen as the preferred option**. This ensures that competent authorities have access to the necessary data on individual total assets and total assets of investment firm groups, while the reporting entities have all the required information needed, no information gets replicated and the burden on individual investment firms is minimised.

D. Conclusion

The adoption of new regulation for investment firms in the EU requires reporting and disclosure requirements for these institutions to be implemented in line with the new obligations. The new requirements are aimed at reducing the burden for investment firms and to closer align them with their business models and activities and hence by definition, the new disclosure and reporting templates and instructions on own funds will make the process less complex for investment firms.

During the development of the new templates, policy choices were made with the aim of combining and achieving the following key objectives:

- i) Build as much as possible on existing disclosure or reporting templates, wherever applicable and relevant, in order to minimise the changes needed to be undertaken by investment firms.
- ii) Minimising any unnecessary burdens to investment firms by simplifying the templates wherever possible;
- iii) Ensuring that all relevant and crucial information for reporting and disclosure purposes is captured.

6.3 Overview of questions for consultation

6.3.1 Reporting ITS

Own funds: level, composition, requirements and calculation

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

Question 2: Is the level of detail on small and non-interconnected investment firms templates and instructions sufficient and proportionate for the level of activity of these firms?

Small and non-interconnected investment firms

Question 3: Are the instructions and templates IF 05.00 and IF 05.01 clear to the respondents?

K-Factor requirement

Question 4: Do the respondents identify any discrepancies between templates IF 06.01 - IF 06.13 and instructions and the calculation of the requirements set out in the underlying regulation?

Concentration risk

Question 5: Do the respondents identify any discrepancies between templates IF 07.00 – IF 08.00 and instructions and the calculation of the requirements set out in the underlying regulation?

Liquidity requirements

Question 6: Are the instructions and templates clear to the respondents?

Group Capital Test

Question 7: Are the instructions and templates (IF 11.01, 11.02, 11.03) clear to the respondents?

6.3.2 Disclosure ITS

Template IF EU CC1:

Question 8: Do the respondents identify any discrepancies between the template and instructions and the requirements set out in the underlying regulation?

Template IF EU CC2:

Question 9: Do the respondents identify any discrepancies between the template and instructions and the requirements set out in the underlying regulation?

Template IF EU CCA:

Question 10: Are the instructions and templates clear to the respondents?

Draft ITS on reporting and disclosures of investment firms:

Question 11: Is the ITS text clear to the respondents?

6.3.3 Reporting RTS

Question 12: Are the provisions of the RTS, the templates and instructions clear? In those cases where you identify issues, please provide concrete examples or detailed explanations to illustrate your doubt.