EBA/CP/2021/17

28 April 2021

Consultation Paper

Draft Implementing Technical Standards

amending Commission Implementing Regulation (EU) 2021/451 with regard to ALMM

Contents

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 5.3.

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 28 July 2021. 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

Regulation (EU) No 575/2013 ('the CRR') mandates the EBA, in Article 430(7), to develop uniform reporting requirements. These reporting requirements are included in the draft Implementing Technical Standards (ITS) and become final following their adoption by the European Commission These standards cover information on institutions' compliance with prudential requirements as put forward by the CRR and related technical standards as well as additional financial information required by supervisors to perform their supervisory tasks. As such, the ITS on supervisory reporting need to be updated whenever prudential or supervisory requirements change.

This consultation paper proposes amendments to the ITS on supervisory reporting with regard to Additional Liquidity Monitoring Metrics (ALMM) reporting requirements. These amendments are mainly driven by the introduction of new proportionality measures for Small and Non-Complex Institutions (SNCIs), in line with the CRR2 provisions to specify which additional liquidity monitoring metrics shall apply to those type of institutions. Proportionality measures have been considered with respect to evidence drawn from the Cost of Compliance study[1]. The proposal regarding the ALMM templates is for SNCIs to be exempted from reporting metrics meant to capture the concentration of funding by product type, the volume and prices of funding for various maturity lengths and information about the volume of funds maturing and new funding obtained (roll-over funding). It is further proposed that institutions that fall outside of the SNCI or Large institutions classification, as defined in the CRR2, are also exempted from reporting metrics on roll-over funding.

Given the need to amend the ITS with respect to ALMM, following the CRR2 provisions on SNCIs, the opportunity presented for further amendments to be implemented to the reporting templates and annexes, looking to respond to the data needs of supervisors, leveraging on evidence from supervisory practices. The proposed amendments are also looking to streamline the reporting requirements in certain areas following the preliminary recommendations from the Cost of Compliance study. In addition, clarifications brought forward by a series of question and answers (Q&As) have been incorporated.

Next steps

After a consultation period of 3 months the EBA will finalise the draft ITS and submit the amending final draft ITS to the EU Commission, which is expected to take place in late 2021. The EBA will also develop the data-point model (DPM), XBRL taxonomy and validation rules based on the final draft ITS. The first reference date for the application of these technical standards is foreseen to be late 2022. The expected implementation period for the proposed changes is approximately 1 year.

[1] See https://www.eba.europa.eu/regulation-and-policy/supervisory-reporting/cost-compliance-supervisory-reporting

3. Background and rationale

1. The EBA reporting framework (as reflected in the ITS) is uniformly and directly applicable to reporting institutions, ensuring a level playing field in the area of reporting and facilitating data comparability. The EBA reporting framework has evolved over the years, ever since the first reporting framework was published in 2013. The EBA has periodically reviewed the content of the reporting requirements to ensure its continued relevance and alignment with the underlying regulation. In addition, the EBA has developed and maintained the technical package and the version management system to facilitate the implementation and supporting of the reporting processes.

2. The Single Rulebook aims to provide a single set of harmonised prudential rules for financial institutions throughout the EU, helping to create a level playing field for all regulated institutions and providing high protection to depositors, investors and consumers. These draft Implementing Technical Standards (ITS) reflect the Single Rulebook provisions at the reporting level and are an integral part of it for financial institutions in Europe. These standards become directly applicable in all Member States once adopted by the European Commission and published in the Official Journal of the EU.

3. Regulation (EU) No 575/2013 ('the CRR')[2] mandates the EBA, in Article 430(7), to develop uniform reporting requirements. These reporting requirements are included in the proposed Implementing Technical Standards and they will become final following their adoption by the European Commission. These standards cover information on institutions' compliance with prudential requirements as put forward by the CRR and related technical standards as well as additional financial information required by supervisors to perform their supervisory tasks. Hence, the ITS on supervisory reporting needs to be updated whenever the underlying legal requirements change or it is necessary to improve the supervisors' ability to monitor and assess institutions.

3.1 Proportionality for SNCIs under CRR2

3.1.1 New banking regulatory package

4. On 7 June 2019, the legislation adopting the Banking Package[3] was published in the Official Journal and came into force on 28 June 2019, including the Regulation (EU) 2019/876 amending Regulation (EU) No 575/2013 (Capital Requirements Regulation II - 'CRR2')[4]. The CRR2 includes a number of key measures, including amendments to the reporting requirements, reflected in the reporting framework v3.0[5].

[2] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013R0575&from=fr

[3] The banking package covers extensive amendments to the Capital Requirements Regulation (CRR), the Capital Requirements Directive (CRD), the Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism Regulation (SRMR)

[4] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R0876&from=EN

[5] See https://www.eba.europa.eu/regulation-and-policy/supervisory-reporting/implementing-technical-standards-on-supervisory-reporting-changes-related-to-crr2-and-backstop-regulation

5. Proportionality is a key principle for European legislators and the latest revision of the EU banking package follows this spirit. The package aims to enhance proportionality, as the rules are better adapted to the size, risk and systemic importance of the institutions. In addition, it foresees that SNCIs will have to deal with less stringent requirements for reporting, disclosure and remuneration.

6. The CRR2 aims at reducing the cost of compliance with reporting requirements for institutions and mandates the EBA to investigate further on the possible solutions. Proportionality and other means to address reporting costs will be discussed in the context of the Cost of Compliance study according to Article 430 (8) of the CRR on reporting. The present consultation paper benefits from the evidence from the study related to ALMM reporting.

7. Article 415(3a) of the CRR mandated the EBA to specify which additional liquidity monitoring metrics shall apply for SNCIs in the EU. The mandate is not detailing on how proportionality should be applied (i.e. reduced frequency, simplified templates, introduction of thresholds, etc.). In order to ensure that the most effective and efficient measures are taken to achieve proportionality, the work on the mandate on ALMM was temporarily placed on hold until further evidence on this matter was obtained from the Cost of Compliance study. Results helped to understand how this proportionality could be applied to effectively reduce the reporting costs for the SNCIs, while preserving the necessary data to ensure adequate supervision.

3.1.2 Proportionality in reporting requirements

8. Proportionality is one of the key focus points to consider when developing the supervisory reporting framework. Proportionality considerations aim to strike a balance between the reduction of costs of reporting (implementation and ongoing costs) for institutions and the quality and effectiveness of supervision. This is achieved by using different approaches.

9. **Different reporting templates in the scope of reporting**: many elements of proportionality in supervisory reporting are implicit as they are driven by the regulatory regime, prudential approaches or by the business model of an institution. This can be reflected in SNCIs reporting fewer templates or a smaller and less complex set of templates.

10. **Different reporting frequencies and thresholds used for reporting:** the supervisory reporting framework also incorporates different reporting frequencies for different types of institutions, depending on the reporting framework. In addition, various reporting templates account for the nature, complexity and riskiness of institutions' activities by including defined size and risk-specific criteria and thresholds that would need to be met in order to trigger the reporting obligation (e.g. for reporting on sovereign exposures, large exposures, geographical breakdowns, further details on non-performing exposures).

3.1.3 Current reporting requirements in scope of ALMM

11. The ALMM templates are meant to monitor an institution's liquidity risk that falls outside of the scope of the reports on Liquidity Coverage and Stable Funding. These ALMM templates were introduced in 2014[6] and amended in 2017[7]. The latest ITS on supervisory reporting (v3.0 published

[6] See EBA ITS on additional liquidity monitoring metrics

[7] See EBA amending ITS on additional liquidity monitoring metrics

in June 2020 and applicable as of June 2021) covers the reporting requirements in scope of ALMM in the following templates, starting with C 66.01 up to C 71.00.

12. Template C 66.01 (also referred by the maturity ladder monitoring tool) represents a comprehensive reporting template meant to facilitate the analysis of the maturity mismatch between institutions' inflows and outflows as well as the institution's counterbalancing capacity. The template details on the cash flows and holdings of different types of instruments from different counterparties and accounts of their liquidity level.

13. Templates C 67.00 and C 68.00 are depicting the concentration of funding by counterparty and by product type by requiring granular information on the top ten counterparties (each greater than 1% of total liabilities) and the top ten product types used to cover their funding needs (each greater than 1% of total liabilities).

14. Template C 69.00 is informing on the funding price of each institution for a series of types of funding instruments by requiring information about the transaction volume and prices paid for various lengths of funding.

15. Template C 70.00 is a comprehensive and detailed reporting that seeks to collect information about the volume of funds maturing and new funding obtained i.e. 'roll-over of funding' on a daily basis over the month preceding the reporting date.

16. Template C 71.00 is collecting granular information on the top ten issuers that granted assets or liquidity lines to the reporting institution that are part of its counterbalancing capacity, to monitor the degree of concentration.

3.1.4 Cost of Compliance study

17. The EBA is mandated in accordance with Article 430(8) of the CRR to measure the costs that institutions incur when complying with the supervisory reporting requirements and in particular with those set out in the EBA's ITS on Supervisory Reporting. The EBA is also tasked to assess whether these reporting costs are proportionate compared to the benefits delivered for the purposes of prudential supervision and make recommendations on how to reduce the reporting cost at least for SNCIs. The findings from this analysis are currently being formulated in a report (Cost of Compliance study) and will be delivered to the European Commission.

18. To complete this study, the EBA launched questionnaires for both the industry and NCAs. The responses to the industry questionnaire show that the different ALMM reporting templates rank among the ones perceived as most costly by institutions: in each size class, two ALMM templates rank among the Top 10 of the costly reporting requirements – C 66.01 and C 71.00 for SNCIs and C 66.01 and C 70.00 for medium[8] and large institutions. Also, roughly two thirds of the respondents consider the 1% threshold applied to template C 68.00 rather ineffective, as all the potentially-to-be-reported data points needs to be calculated to check if the threshold is exceeded or not. At the same time, the information included in the ALMM framework, and C 66.01 and C 71.00 in particular, is of rather high importance to the NCAs and frequently and regularly used. At least half of the authorities considered it particularly relevant not only for large and medium institutions, but also

[8] Medium institutions are those institutions that are neither large nor small and non-complex as defined in the CRR2

for SNCIs. According to the results of the NCA questionnaire, the information in templates C 69.00 and C 70.00 attracts less of supervisory attention than the rest of the ALMM templates.

19. These observations, as well as some additional explanations and arguments presented by respondents to the Cost of compliance questionnaires form the basis for this proposal on how to apply proportionality to effectively reduce the costs of ALMM reporting for SNCIs.

3.1.5 Proposed proportionality

20. The proportionality measures proposed in this package are two-fold:

a. Frequency: it is proposed to keep the reduced quarterly frequency for the information that SNCIs need to report, already included in the reporting framework v3.0.

b. Subset of templates: the responses to the Cost of Compliance study strongly advocate, in different contexts, to exempt SNCIs from the reporting of full templates in order to reduce the reporting cost, rather than to create simplified versions of those templates. Some respondents argue that there are noteworthy implementation costs where a new version of those templates (even if they are simplified) has to be reported, and many point out that they would anyway need to calculate the full set of information (e.g. if they are part of a group subject to fully fledged ALMM reporting).

21. There is a common view among the supervisory authorities that template C 66.01 is crucial to monitor the liquidity position of the reporting institution and in particular to monitor the maturity mismatch of an institution's activity. A simplified version of this template would neither deliver relevant information to the authorities, nor is it expected to significantly reduce the cost for SNCIs. Next to this one, information on the concentration of funding and counterbalancing capacity by counterparty/issuer (templates C 67.00 and C 71.00) were also deemed very important ALMM metrics for those institutions

22. The remaining 3 templates (C 68.00, C 69.00 and C 70.00) have been considered to provide comparatively less essential information for monitoring SNCIs' liquidity position during the supervisory activities and therefore have been proposed to be excluded from the scope of reporting by those institutions. In particular, given the small size and complexity of these institutions, the concentration by product type and the maturity structure of funding price is less relevant as such institutions usually have a simple funding structure and have less market power in influencing the prices. The complexity of template C 70.00 and the fact that such information has a greater relevance in time of crisis than as an on-going monitoring tool has lead supervisors to consider institutions, other than large ones, to be exempted from reporting it, in the spirit of proportionality.

23. Furthermore, template C 70.00 is very large and detailed with a reporting on daily accumulated variation of roll-over funding. Given the level of detail of the information required in the template, it was deemed necessary to reduce reporting burden related to this template also for other institutions, namely for medium institutions. Information on roll-over funding is still deemed as crucial for supervisors to monitor large institutions in times of stress, since this type of information is unique and it cannot be found anywhere else in the reporting framework.

Table 1 - Summary of reporting requirements per type of institution

Type of institution	C 66.01	C 67.00	C 68.00	C 69.00	C 70.00	C 71.00
Large	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly
Medium	Monthly	Monthly	Monthly	Monthly	*-Exempted-*	Monthly
SNCIs	Quarterly	Quarterly	*-Exempted-*	*-Exempted-*	*-Exempted-*	Quarterly

3.2 Further amendments and improvements

24. Since the ALMM module was going to be subject to changes due to the implemented proportionality measures, the opportunity was taken to gather views from the supervisors on ways to improve templates and instructions. Relying on past reporting of the package and experience on data usage is crucial to progress on the reporting framework and to have an adequate supervisory monitoring of its elements.

25. In addition to the above mentioned changes, some clarifications or corrections were implemented in templates/instructions of templates C 66.01 to C 69.00 due to pending and published Q&As.

3.2.1 Main changes proposed – C 66.01

26. Central Bank refinancing was disentangled from the outflows from liabilities resulting from secured lending and capital market driven transactions of other counterparties, given the growing importance of this type of funding in the current scenario. Information on central bank refinancing is reported with less granularity than for item 1.2 since it was deemed not to be so relevant as in item 1.2.

27. To distinguish open maturity items from items with contractual maturities, a separate “of which” column 0020 according to open maturity items was introduced .

28. In the Counterbalancing Capacity (CBC) a separate row was included for own issuances eligible for central banks provided that they are eligible as collateral for central bank operations in the counterbalancing capacity, so that these amounts can be more easily identified by supervisors.

29. The intragroup or institutional protection scheme (IPS) flows were moved to the main inflows/outflows part of the template instead as memo items, to improve data quality. During times of stress, more detailed information about intragroup and IPS flows are important as it enables supervisory authorities to observe and to assess more accurately the (potential) liquidity impact on a crisis on different group entities.

30. In order to further clarify the reporting requirements for derivatives other than FX swaps, regarding the flows generated by the derivative instrument and the treatment of the underlying collateral the proposal, further exemplified in Section 5.1, includes:

a. The exception for CBC flows at maturity of physically settled derivatives (e.g. gold forwards) that are margined, which shall be reported. (example 3 from Section 5.1)

b. The revision that collateral already received/posted in the context of collateralised derivatives do not have to be reversed in the stock position of CBC (if the asset already received qualifies as CBC). To accommodate any concern of reporting burden, it is clarified that any return of collateral received/posted shall not be reported (i.e. no reporting in the later time buckets). More generally, the exclusion of flows related to adequately collateralised derivatives in the maturity ladder shall be upheld (the currently applicable maturity ladder has this exclusion). (example 1 and 2 from Section 5.1)

c. Clarifications on the term "adequately collateralised" and that discrepancies related to minimum transfer amounts shall still mean that a derivative is adequately collateralised.

d. Clarifications on "partially collateralised derivatives", and that the return of collateral already received/posted does have to be reported in the CBC section in the time bucket corresponding to the maturity date. This avoids double counting of gains and losses (note that the settlement flow at maturity is reported in the corresponding time bucket of row 1.5 or 2.4). (example 4 and 5 from Section 5.1)

31. A row on 'Outflows from uncommitted funding facilities' was added to have more insight into the time by which these kind of facilities could be withdrawn at the earliest (e.g. overnight, week 2, or at a point in time beyond the LCR horizon and hence not visible in the LCR reporting). In line with the objective of the maturity ladder, the reported outflows should represent maximum amounts (and not what is likely/expected to happen under stress). (example 6 from Section 5.1)

3.2.2 Main changes proposed – C 67.00 to C 71.00

32. According to the responses to the Cost of Compliance study, both institutions and authorities support removing the 1% threshold in C 67.00 and C 68.00. Institutions consider it inefficient with regard to the objective of reducing the reporting cost, authorities are concerned by the incomplete view of concentration risk.

33. For C 69.00, it was deemed relevant to separate secured funding from central banks and non-central banks in the rows breakdown. The opportunity was taken to have a full and more structured breakdown in order to improve data quality in this template.

34. Also on C 69.00, there were proposals to use the price of funding instead of spreads as it is difficult to build swap curves in some currencies. Moreover, institutions use different methodologies to construct swap curves and therefore the spreads are not reliable for the comparison across institutions. For this purpose, it was proposed to report the effective interest rate according to IFRS 9 and national GAAP.

35. Other small amendments and clarifications were included throughout the instructions.

36. There are no changes envisaged regarding template C 71.00.

4. Draft implementing technical standards

COMMISSION IMPLEMENTING REGULATION (EU) …/...

of XXX

on amending Commission Implementing Regulation (EU) 2021/451 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 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) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012[9] and in particular the first subparagraph of Article 430(7), second subparagraph of Article 430(9), and first subparagraph of Article 430b(6) thereof,

Whereas:

(1) Without prejudice to the competent authorities' powers under point (j) of Article 104(1) of Directive 2013/36/EU[10] 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. Commission Implementing Regulation (EU) No 2021/451 specifies, on the basis of Article 430 of Regulation (EU) No 575/2013, the modalities according to which institutions are required to report information relevant to their compliance with Regulation (EU) No 575/2013. That Regulation should be amended to reflect prudential elements introduced in Regulation (EU) No 575/2013 as amended by Regulation (EU) No 2019/876.

(2) Regulation (EU) No 2019/876, amending Regulation (EU) No 575/2013, has introduced Article 415(3a), that mandated the EBA to develop specific simplified ALMM reporting

[9] OJ L 176, 27.6.2013, p. 1.

[10] 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)

requirements for small and non-complex institutions in the EU, which should be included in the reporting framework.

(3) Further amendments to Implementing Regulation (EU) 2021/451 are also required to reflect competent authorities' ability to effectively monitor and assess the institutions' risk profile and to obtain a view on the risks posed to the financial sector.

(4) This Regulation is based on the draft implementing technical standards submitted by the European Banking Authority (EBA) to the Commission.

(5) 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 1093/2010[11] in relation to those.

(6) Implementing Regulation (EU) 2021/451 should therefore be amended accordingly,

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EU) 2021/451 is amended as follows:

(1) Article 18 is replaced by the following:

'(1) In order to report information on additional liquidity monitoring metrics in accordance with Article 430(1), point (d) of Regulation (EU) No 575/2013 on an individual and a consolidated basis, institutions shall submit the following information:

(a) Institutions that meet the conditions set out in Article 4(1), point (146) of Regulation (EU) No 575/2013 shall submit with a monthly frequency the information set out in template 66.1 of Annex XXII in accordance with the instructions in Annex XXIII, templates 67, 68, 69 and 70 of Annex XVIII in accordance with the instructions in Annex XIX and template 71 of Annex XX in accordance with the instructions in Annex XXI;

(b) Institutions that meet all the conditions set out in Article 4(1), point (145) of Regulation (EU) No 575/2013 shall submit with a quarterly frequency the information set out in templates 66.1 Annex XXII in accordance with the instructions in Annex XXIII, template 67 of Annex XVIII in accordance with the instructions in Annex XIX and template 71 of Annex XX in accordance with the instructions in Annex XXI;

(c) All other institutions shall submit with a monthly frequency the information set out in template 66.1 of Annex XXII in accordance with the instructions in Annex XXIII, templates 67, 68 and 69 of Annex XVIII in accordance with the instructions in Annex XIX and template 71 of Annex XX in accordance with the instructions in Annex XXI;'

(1) Annex I to this Regulation replaces Annex XVIII to Regulation (EU) 2021/451.

(2) Annex II to this Regulation replaces Annex XIX to Regulation (EU) 2021/451.

[11] 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, 15.12.2020, p. 12).

(3) Annex III to this Regulation replaces Annex XX to Regulation (EU) 2021/451.

(4) Annex IV to this Regulation replaces Annex XXI to Regulation (EU) 2021/451.

(5) Annex V to this Regulation replaces Annex XXII to Regulation (EU) 2021/451.

(6) Annex VI tof this Regulation replaces Annex XXIII to Regulation (EU) 2021/451.

Article 2

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 xxx 2022.

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

Done at Brussels,

For the Commission The President

On behalf of the

President [Position]

5. Accompanying documents

5.1 Additional clarifying examples for template C 66.01

5.1.1 Derivatives

Example 1 At the reporting reference date the institution has EUR 5,000 in the form of level 1 CQS4+ which is non-encumbered and available for encumbrance. These CBC assets have been received as collateral from a fully/adequately collateralised derivative that is EUR 5,000 in the money at the reporting reference date. The receipt of EUR 5,000 in level 1 CQS4+ collateral took place when the derivative was subject to market valuation changes some days before the reporting reference date and has since been kept unchanged on the balance sheet and is non-encumbered and available for encumbrance. For simplicity, the institution did and does not have any other level CQS4+ CBC. Further note that the derivative matures in 2.5 months from the reporting reference date.

Transaction	Residual Maturity	Value	Collateralization	Value of collateral received
derivative transaction other than FX swaps	2.5 months	5000 euros in the money	**fully/adequately collateralised**	5000 euros (Level 1 (CQS4) asset)

Analysis: Since it is a fully/adequately collateralised derivative no mutation is reported in the 2-3 month time bucket (i.e. no mutation in CBC and also no inflow in the inflow section / row 0670). The transaction is reflected in Template C66.01 as follows:

0730-1080	3	COUNTERBALANCING CAPACITY	Initial stock
0800	3.3.1.4	Level 1 (CQS4+)	5,000

Example 2 At the reporting reference date the institution has EUR 102,000 in the form of Level 1 covered bonds (CQS1) which is non-encumbered and available for encumbrance. This amount is the result of collateral received and paid in the context of two fully/adequately collateralised derivatives: one that is EUR 6,000 in the money at the reporting reference date and another 4,000 out of the money (both collateralised with Level 1 covered bonds (CQS1)). The collateral transfers took place when the derivatives where subject to market valuation changes some days before the reporting reference date and has since been kept unchanged on the balance sheet and is non-encumbered and available for encumbrance. The institution had EUR 100,000 of Level 1 covered bonds (CQS1) before that, which it has kept. Further note that the derivative matures in 3.5 months.

Transaction	Residual Maturity	Value	Collateralization	Value of collateral received

derivative transaction other than FX swaps	3.5 months	6000 euros in the money 4000 euros out of the money	**fully/adequately collateralised**	100 000 euros initial collateral + 2 000 euros (Level 1 covered bond (CQS1))

Analysis: Since they are fully/adequately collateralised derivatives no mutation is reported in the 3-4 month time bucket (i.e. no mutation in CBC and also no inflow/outflow in the inflow/outflow section row 0670/0360). The transaction is reflected in Template C66.01 as follows:

0730-1080	3	COUNTERBALANCING CAPACITY	Initial stock
0810	3.3.2	Level 1 covered bonds (CQS1)	102,000

Example 3 The institution has a fully/adequately collateralised derivative in the form of a physically settled gold forward: in 6 weeks time the institution will physically deliver a certain amount of gold against a pre-agreed amount of money. The gold to be delivered at a value of EUR 3,000 in exchange for EUR 4,000 in cash. Initially, when the contract was signed, several weeks before the reporting reference date, the value of gold was at EUR 4,000. The depreciation of EUR 1,000 has led to EUR 1,000 of Level 2A corporate bonds (CQS1) collateral posted with the institution in advance of the reporting reference date. At the reporting reference date the EUR 1,000 of Level 2A corporate bonds (CQS1) collateral is non-encumbered and available for encumbrance.

Transaction	Residual Maturity	Value	Collateralization	Value of collateral received
physically settled gold forward	6 weeks	pay 3000 euros (gold to be settled) receive 4000 euros	**fully/adequately collateralised**	1000 euros (level 2A corporate bond)

Analysis: It is clarified in the ANNEX X that the exception for CBC flows at maturity of physically settled derivatives that are margined are to be reported. The transaction is reflected in Template C66.01 as follows:

0390-0720	**2**	**INFLOWS**		**Greater than 5 weeks up to 2 months**
0670	**2.4**	**Derivatives amount receivables other than those reported in 2.3**		4,000
0730-1080	**3**	**COUNTERBALANCING CAPACITY**	**Initial stock**	**Greater than 5 weeks up to 2 months**
0830	3.4.1	Level 2A corporate bonds (CQS1)	1,000	
0980	3.6.7	other tradable assets		-3,000

Example 4. At the reporting reference date the institution has EUR 1,500 in the form of Level 1 (CQS2, CQS3) which is non-encumbered and available for encumbrance. These CBC assets have been received as collateral from a partially collateralised derivative that is 4,500 in the money at the reporting reference date. The receipt of EUR 1,500 in Level 1 (CQS2, CQS3) collateral took place when the derivative was subject to market valuation changes some days before the reporting reference date and has since been kept unchanged on the balance sheet and is non-encumbered and available for encumbrance. For simplicity, the institution did and does not have any other Level 1 (CQS2, CQS3), and for simplicity no other collateral has been exchanged in relation to this derivative. Further note that the derivative matures in 1.5 weeks from the reporting reference date.

Transaction	Residual Maturity	Value	Collateralization	Value of collateral received
derivative transaction other than FX swaps	1.5 weeks	4500 euros (in the money)	partially collateralized	1500 euros (Level 1 (CQS2, CQS3) asset)

Analysis: Since it is a partially collateralised derivative, the settlement flow and return of the collateral at the time of maturity needs to be reported. The transaction is reflected in Template C66.01 as follows:

0390-0720	**2**	**INFLOWS**		**Greater than 7 days up to 2 weeks**
0670	**2.4**	**Derivatives amount receivables other than those reported in 2.3**		4,500
0730-1080	**3**	**COUNTERBALANCING CAPACITY**	**Initial stock**	**Greater than 7 days up to 2 weeks**
0790	3.3.1.3	Level 1 (CQS2, CQS3)	1,500	-1,500

Example 5. At the reporting reference date the institution has EUR 998,000 in the form of Level 1 (CQS 1) which is non-encumbered and available for encumbrance. Several days before the reporting reference date the institution still had EUR 1,000,000 in the form of Level 1 (CQS 1), however solely due to a negative market valuation change of a partially collateralised derivative just before the reporting reference date the institution has posted EUR 2,000 of Level 1 (CQS 1). For simplicity no other collateral has been exchanged in relation to this derivative. Further note that the derivative matures in 3.5 weeks from the reporting reference date and is 3,500 out of the money at the reporting reference date.

Transaction	Residual Maturity	Value	Collateralization	Value of collateral posted
derivative transaction other than FX swaps	3.5 weeks	3500 euros (out of the money)	**partially collateralised derivative**	2000 euros Level 1 (CQS 1)

Analysis: Since it is a partially collateralised derivative, the settlement flow and return of the collateral at the time of maturity needs to be reported. The transaction is reflected in Template C66.01 as follows:

0010-0380	**1**	**OUTFLOWS**		**Greater than 3 weeks up to 30 days**
0360	**1.5**	**Derivatives amount payables other than those reported in 1.4**		3,500
0730-1080	**3**	**COUNTERBALANCING CAPACITY**	**Initial stock**	**Greater than 3 weeks up to 30 days**
0780	3.3.1.2	Level 1 (CQS 1)	998,000	2,000

5.1.2 Uncommitted funding facilities

Example 6. At the reporting reference date the reporting institution has 13 500 euros in uncommitted funding facility with a client. The following withdrawal schedule was agreed:

6000	Over night
4000	After 5 days
3500	In 2.5 months

Analysis: In the LCR template (C73.00) the institution would have to report only the amount of the uncommitted funding facility that can be withdrawn in the next 30 days.

			Amount	**Applicable Weight**	**Outflow**
0731	1.1.7.1	Uncommitted funding facilities	10 000	0.08	800

While template C66.01 would reflect the additional information on the time schedule when the amounts can be withdrawn and in addition would capture the maximum amount that can be withdrawn.

1090-1130	**4**	**CONTINGENCIES**	**Overnight**	**Greater than 5 days up to 6 days**	**Greater than 2 months up to 3 months**
1131	**4.X**	**Outflows from uncommitted funding facilities**	6000	4000	3500

5.2 Draft cost-benefit analysis / impact assessment

As per Article 15 of Regulation (EU) No 1093/2010 (EBA Regulation), any implementing technical standards developed by the EBA shall 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 involved in this Consultation Paper on the Draft Implementing Technical Standards amending Commission Implementing Regulation (EU) 2021/451 with regard to additional liquidity monitoring metrics (ALMM). The revisions have been developed by the EBA based on the mandate under Article 415(3a) of the CRR. The IA is high level and qualitative in nature. With regard to the proportionality assessment specifically, the scope of application of the revised ITS does not justify a data collection for the conduct of a quantitative impact assessment. Instead, the EBA conducted an evidence-based qualitative assessment, to evaluate whether the revision of the ITS implies an appropriate cost of reporting reduction for SNCIs.

A. Problem identification and background

The revised CRR has introduced a definition for 'small and non-complex institutions'. Further, it has introduced exemptions and simplifications of certain requirements for these institutions, and in some instances given the EBA the mandate to specify further how such a proportional treatment should be defined.

One of these mandates is laid down in Article 415(3a) of the CRR. It mandates the EBA to develop ITS specifying which ALMM as referred to in paragraph 415(3) of the CRR shall apply to SNCIs. The EBA has hence been tasked to revise the templates and instructions of the original ITS on ALMM from 2014[12] and amended in 2017[13].

Article 415(3a) of the CRR does not specify how proportionality should be applied (e.g. different reporting frequency, exemptions for entire templates, exemptions on individual reporting items, introduction of reporting thresholds). Insights gained from the Cost of Compliance study[14] have been deemed valuable for exploring and deciding on the exact form of proportionality to be introduced. Therefore, addressing the mandate had been postponed slightly (delivery of the mandate was originally set for June 2020), since the results of the Cost of Compliance study were only available later in 2020.

B. Policy objectives

The draft amended ITS presented in this consultation paper responds to this mandate, aiming to introduce proportionality for SNCIs in the reporting of ALMM information, taking into account the

[12] See EBA ITS on additional liquidity monitoring metrics

[13] See EBA amending ITS on additional liquidity monitoring metrics

[14] EBA Cost of Compliance study with Supervisory Reporting

insights gained from the Cost of Compliance study, and at the same time ensuring that supervisors continue to receive sufficient reporting information on all entities to be able to fulfil their mandates.

As is common practice when the EBA is mandated to revise ITS, RTS or Guidelines, other features (in addition to the mandate) that have proven difficult or not very feasible in practice are also being addressed as part of the revision of these ITS. Drawing on the experience from supervisory practices so far and additional clarifications from the Q&A process, further amendments to the ALMM templates have been proposed.

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

Section C. presents the main policy options discussed and the decisions made during the revision 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.

Extent and application for SNCIs

Option 1a: Apply proportionality through altered reporting frequency for SNCIs

Option 1b: Exempt small and non- complex institutions from certain templates

Option 1c: Do not exempt small and non- complex institutions from any templates entirely, exemptions to only apply for certain reporting items within certain templates (resulting in separate simplified templates)

Article 415(3a) of the CRR does not specify how proportionality should be applied. Proportionality for SNCIs could hence be applied through altered frequency, fewer data points to be reported within a template, or reporting exemptions from entire templates.

Different frequencies of reporting, depending on the size and complexity of the institution, have already been considered in previous versions of the ITS, allowing less frequent reporting for smaller institutions. Classification of the latter according to the new CRR definition of SNCIs had subsequently been introduced in the latest ITS release (v3.0). Therefore with regard to the ALMM Article 18(2) of the ITS already include different reporting frequencies for SNCIs (quarterly versus monthly reporting). Proportionality in the form of reporting frequency (as presented in option 1a) is therefore already implemented and will be maintained.

The results from the Cost of Compliance study have found that cost reductions are more efficient if entire templates are exempted. Creating separate reporting templates for certain institutions would not lead to significant cost reductions, since initial implementation costs would be incurred (sunk costs - these might be significant in case different aggregations would be required, such as different time buckets). This has led to exclude options 1c.

Option 1b has therefore been chosen as the preferred option to account for proportionality. The draft amended ITS on ALMM propose to exempt SNCIs from reporting a subset of templates from the ALMM reporting framework.

Which templates to exempt has been duly considered, reflecting supervisors' views on the importance and relevance of the different templates for SNCIs for prudential supervision. The templates chosen for exemption are C 68.00, C 69.00 and C 70.00.

Additional changes to the ALMM reporting templates (other than those in the scope of Article 415(3a) of the CRR)

Application of the existing ITS on ALMM have provided insights into what works for institutions and supervisors and what does not, and sheds some valuable light on potential areas for improvement to the reporting templates. Whilst not strictly part of the mandate for the revision of the existing ITS according to Article 415(3a) of the CRR, which is focused on implementing proportionality for SNCIs, it is generally deemed as most efficient and in the interest of both institutions and csupervisors to implement wider changes whenever templates and instructions are under review. This reduces the likelihood of repeated future revisions and ensures that institutions will not have to continuously implement different revisions (rather, all changes can be addressed 'at once').

Template C 70.00

Option 2a: Remove template C 70.00 also for medium institutions and keep the template unchanged for large institutions

Option 2b: Keep template C70.00 for large and medium institutions, but simplify it

Option 2c: Keep the template unchanged for large and medium institutions

Template C 70.00 is very large and detailed, containing information on daily accumulated variation of roll-over funding. As per option 1, SNCIs have been exempted from reporting the template.

Given the level of detail of the information required in the template (in particular some of the information having to be collected on a daily basis within institutions), it was deemed necessary to reduce the reporting burden related to this template also for other institutions. One way to relief some of the substantial reporting burden associated with template C 70.00 would have been to maintain reporting for both medium and large institutions, but to simplify the template. Given the findings from the Cost of Compliance study (cost reductions are more efficient if entire templates are exempted), options 2b and 2c have been excluded.

Instead, it has been concluded that medium sized institutions should also be exempt entirely from the template. **Option 2a has been chosen as the preferred option**. In this way, reporting burden has been reduced significantly for small and non-complex and medium sized institutions whilst information on roll-over funding is still reported to supervisors for the large institutions. The template has been kept unchanged for large institutions, in line with the findings on cost reduction efficiency from the Cost of Compliance study explained above.

Template C 67.00 and C 68.00 - Thresholds for the reporting of funding concentration

Option 3a: Keep the >1% threshold in templates C 67.00 and C 68.00

Option 3b: Remove the 1% threshold from templates C 67.00 and C 68.00

Templates C 67.00 and C 68.00 require the reporting of the concentration of funding (Top 10 counterparty exposures in C 67.00 and exposure concentration by product type in C 68.00). With the aim to reduce the reporting burden, only counterparties or product types that account for more than 1% of total liabilities need to be included in the current reporting templates.

Application in practice has shown that this simplification is not effective since institutions need to calculate *all* of their exposures in any case, in order to verify the 1% threshold. At the same time, the computation, verification and monitoring of the threshold criteria requires extensive effort on the part of institutions. It has therefore been decided that **option 3b, removing the 1% threshold, is preferable compared to option 3a**.

Institutions will report all their Top 10 counterparty exposures in template C 67.00 and all their exposures by product type in C 68.00. This will save them the cost of computing, verifying and monitoring the threshold, whilst at the same time, supervisors will receive more, or the same amount of information.

Other changes to the templates:

- Template C 66.01: Inclusion of new items to be reported: Own issuances eligible for central banks, Outflows from uncommitted funding facilities. Given the increased importance of Central Bank liquidity, this has been assessed as valuable information for supervisors to assess institutions' liquidity and funding position.

- Template C 66.01: Inclusion of Intragroup and IPS flows in the main inflows/outflows part instead of memo items. This improves data quality and enables supervisors to observe and to assess more accurately the (potential) liquidity impact of a crisis on different group entities.

- Template C 66.01: Further clarification on reporting of derivatives.

- Template C 66.01: Interest payments/receipts and non-financial cash flows are excluded from reporting in the time bucket > 5 years.

- Template C 69.00: some of the 'of which' has been removed and complete reporting of non-overlapping categories has been introduced. Rows now amount precisely to 'Total Funding', as to improve clarity[15].

[15] In reporting templates, sub-categories are not always exhaustive and hence total and sub-total rows cannot always be compared.

- Template C 69.00: The reporting of the price of funding in terms of spreads has been changed to reporting in terms of interest rates. Modelling of the spread curve is dependent on each individual institution's methodology and comparability is hence difficult. In addition reporting interest rates and not spreads is considered to reduce the reporting burden while at the same time it will satisfy the information need for supervisory purposes.

- Other (smaller) changes to the templates based also on insights gained from the EBA's Q&A process.

Whilst changes to templates always imply an increase in reporting costs for institutions in the short-run, ultimately, introducing some of these additional changes reduces the costs to institutions by clarifying or simplifying known reporting issues (this is the case in particular for issues addressed as a result of the Q&A process). Other changes improve the quality, completeness and relevance of reporting information received by supervisors, which is crucial for ensuring their prudential mandate and hence warranting the (initial) increased costs on the side of institutions.

D. Conclusion

The draft amended ITS have been developed with a view to reduce reporting costs for SNCIs in the most effective and efficient manner. This has been achieved through the exemption of certain templates for those institutions.

At the same time, the draft amended ITS aim to maximise the impact of the revision and changes to the templates, by also addressing other issues that have transpired from the ALMM reporting so far, clarifying and facilitating the reporting for all institutions and improving reporting information received by supervisors. The revisions proposed balance any additional (short-term) reporting burden to institutions that results from any template revision, with the longer term improvements in the cost of reporting as well as clarity, completeness and comparability of reported data.

5.3 Overview of questions for consultation

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

Question 2: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?

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

Question 4: Do respondents agree that the decisions to exempt entire reporting templates from being reported is the best approach in implementing proportionality? In case you do not agree, what other proposal would be more efficient to reduce costs?

Question 5: Is it clear for respondents how to report derivatives in C 66.01 with the new clarifications proposed in the instructions?

Question 6: Would large institutions agree that it is less costly to keep C70.00 unchanged (accounting also for implementation costs)? What would be a suitable alternative for a simplified version of this template which would achieve the same purposes?