
PH on amending RTS on FRTB and SA-CCR

21 February 2024

Ground rules for this virtual meeting.

Mic and video off

Please keep yourself muted and the video off while listening.

Questions/comments?

Please use the chat or raise your hand to ask for the floor.

Slides on EBA website

The presentation used today will be made available on the EBA's website after this hearing.

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Introduction

EBA Roadmap on MKR & CCR mandates under CRR2

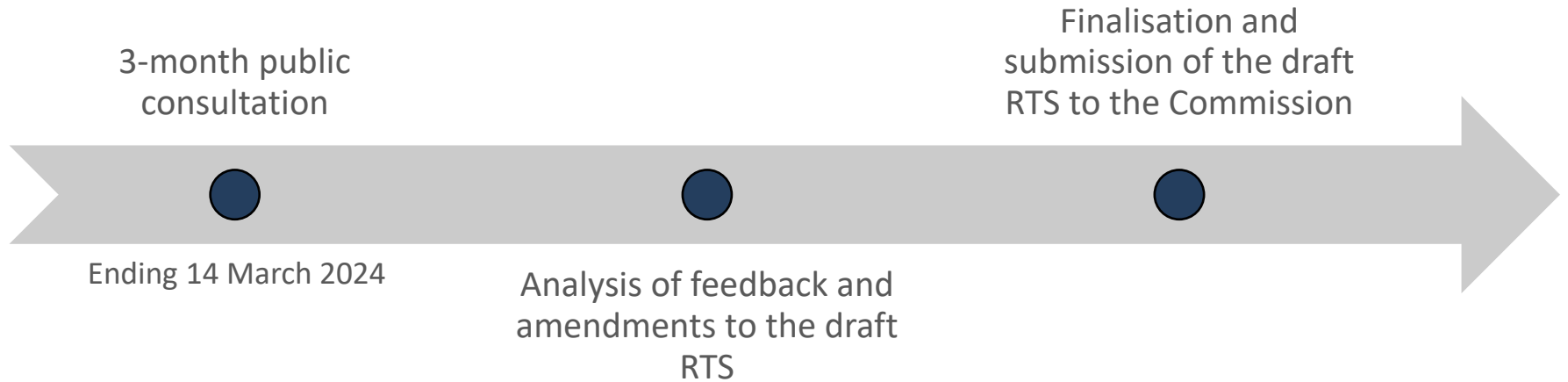
Priorities	EBA regulatory products	Mandate in CRR	Legal Deadline	Status
Phase 1: Implementation of the SA-CCR and of essential parts of the FRTB revisions for the IMA	Report on the impact of the FRTB	Art. 519b(1)	30 Sep 2019	Delivered
	RTS on mapping of derivatives transactions to risk categories under the SA-CCR	Art. 277(5)(a) and (b)	28 Dec 2019	In force
	RTS on the supervisory delta formula for interest rate options and determination of long or short positions under the SA-CCR	Art. 279a(3)(a) and (b)	28 Dec 2019	In force
	RTS on liquidity horizons for the IMA	Art. 325bd(7)(a),(b),(c),(d)	28 Mar 2020	In force
	RTS on backtesting requirements and PLA requirements under the IMA	Art. 325bf(9) and 325bg(4)	28 Mar 2020	In force
Phase 2: Implementation of FRTB (SA) reporting requirements and of essential parts of IMA FRTB revisions and for the treatment of non-trading book positions subject to FX or comm risk	RTS on assessment of risk factor modellability under the IMA	Art. 325be(3)	28 Mar 2020	In force
	ITS on specific reporting requirements for market risk (FRTB SA)	Art. 430b(6)	30 Jun 2020	In force
	RTS on a stress scenario risk measure for non-modellable risk factors under the IMA	Art. 325bk(3)(a)(b)(c)(d)	28 Sep 2020	In force
	GL on criteria for the use of data inputs in the risk-measurement model under the IMA	Art. 325bh(3)	28 Sep 2020	In force
	RTS on PDs and LGDs for the default risk model under the IMA	Art. 325bp(12)	28 Sep 2020	In force
Phase 3: Implementation of FRTB (IMA) reporting requirements and of FRTB SA regulatory products	RTS on treatment of non-trading book positions subject to FX or commodity risk	Art. 325(9)	28 Sep 2020	In force
	ITS on specific reporting requirements for market risk (FRTB IMA)	Art. 430b(6)	30 Jun 2020	Delivered
	RTS on instruments exposed to residual risk	Art. 325u(5)	28 Jun 2021	In force
	RTS on emerging markets and advanced economies	Art. 325ap(3)	28 Jun 2021	In force
Phase 4: Regulatory products whose substance will be derived from the monitoring of the application of the revised frameworks	RTS on gross jump-to-default (JTD) amounts	Art. 325w(8)(a),(b),(c)	28 Jun 2021	In force
	RTS on material extensions and changes under the IMA	Art. 325az(8)(a)	28 Jun 2024	Under consultation
	RTS on the assessment methodology for the IMA	Art. 325az(8)(b)	28 Jun 2024	Delivered
	RTS on extraordinary circumstances for being permitted to continue using the IMA	Art. 325az(9)(a)	28 Jun 2024	Finalisation
	RTS on extraordinary circumstances for being permitted to limit the backtesting add-on	Art. 325az(9)(b)	28 Jun 2024	Finalisation
	GL on the meaning of exceptional circumstances for the reclassification of a position	Art. 104a(1)	28 Jun 2024	Postponed by CRR3
	Report on the impact and relative calibration of the SA-CCR, simplified SA-CCR and OEM	Art. 541(1)	28 Jun 2023	Delivered

EBA Roadmap on market risk mandates under CRR3/CRD6

Priorities	EBA regulatory products	Reference	Deadline	Status
Phase 1: mandates with a deadline of up to one year after the entry into force of the banking package.	RTS on conditions to determine that an instrument is a hedging position	Art. 325u(6) CRR3	0 months a.e.i.f.	Under consultation
	RTS on extraordinary circumstances for FRTB-IMA	Art. 325az(9) CRR3	0 months a.e.i.f.	Finalisation
	RTS on the specification of long and short positions	Art. 94(10) CRR3	12 months a.e.i.f.	
	RTS on supervisory delta for commodity prices	Art. 279a(3)(a) CRR3	12 months a.e.i.f.	Under consultation
	RTS on FX and commodity risk in the banking book	Art. 325(9) CRR3	12 months a.e.i.f.	Under consultation
	RTS on risk factor modellability	Art. 325be(3) CRR3	12 months a.e.i.f.	Under consultation
Phase 2: mandates with a deadline up to two years after entry into force of the banking package.	RTS on profit and loss attribution	Art. 325bg(4) CRR3	12 months a.e.i.f.	Under consultation
	RTS on crypto	Art. 501d(5)(sub1) CRR3	12 months a.e.i.f.	
	RTS on data inputs	Art. 325bc(6) CRR3	18 months a.e.i.f.	
	RTS on structural FX	Art. 104c(4) CRR3	24 months a.e.i.f.	
	RTS on conditions for not counting overshootings	Art. 325bf(10) CRR3	24 months a.e.i.f.	
Phase 3: mandates with a deadline up to three years after the entry into force of the banking package.	RTS on extraordinary circumstances for prudent valuation	Art. 34(4) CRR3	24 months a.e.i.f.	Under consultation
	RTS on CVA risk of SFTs	Art. 382(6) CRR3	24 months a.e.i.f.	
	RTS on the hypothetical portfolios of CIUs in the trading book	Art. 325j(7) CRR3	30 months a.e.i.f.	
	Report on haircut floors for SFTs	Art. 519d CRR3	30 months a.e.i.f.	
Phase 4: mandates with a deadline of more than three years after the entry into force of the banking package.	RTS on net short credit and equity positions	Art. 104(8) CRR3	36 months a.e.i.f.	
	Guidelines on exceptional circumstances for the reclassification of a position	Art. 104a(1) CRR3	36 months a.e.i.f.	
	RTS on proxy spread	Art. 383a(3)(a) CRR3	36 months a.e.i.f.	
	RTS on further technical elements for regulatory CVA	Art. 383a(3)(b) CRR3	36 months a.e.i.f.	
	RTS on instruments appropriate to estimating PDs	Art. 383a(3)(c) CRR3	36 months a.e.i.f.	
Phase 4: mandates with a deadline of more than three years after the entry into force of the banking package.	RTS on assessment methodology for the FRTB-SA	Art. 325c(5b) CRR3	48 months a.e.i.f.	
	RTS on the materiality of extensions and changes for the SA-CVA	Art. 383a(5)(a) CRR3	48 months a.e.i.f.	
	RTS on assessment methodology for the SA-CVA	Art. 383a(5)(b) CRR3	48 months a.e.i.f.	
	Report on the exemption from residual risks for hedging positions	Art. 325u(7) CRR3	66 months a.e.i.f.	
	Guidelines on excessive CVA risk	Art. 104(3) CRD6	No deadline	
	RTS on the definition of material exposures to default risk and thresholds for material counterparties and positions in traded debt or equity instruments	Art. 77(4) CRD6	No deadline	



Next steps





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Amending RTS on FRTB

Amending RTS on FRTB (1)

Main objective of the amending RTS: make the RTS fit with the new Level 1 (i.e. CRR3 text)

RTS on PLAT: changes are only meant to reflect the fact, according to the new level 1, and in line with internal standards, when a desk does not pass PLAT, it goes to the SA. The amending RTS does not present any policy change compared to the old RTS (i.e. the one subject to the amendment)

RTS on RFET: Level 1 now recognises possibility to receive RPOs from 3rd party vendor. Accordingly, new RTS remove definition of third-party vendor, and requires banks to document to which extent a bank relies on a 3rd party vendor (#RF for which RPOs are provided by a given 3rd party vendor)

Amending RTS on FRTB (2)

Main objective of the amending RTS: make the RTS fit with the new Level 1 (i.e. CRR3 text)

RTS on FX/COM in BB:

- ➔ Provision to ensure that translation risk is captured in all circumstances: ability of banks to identify FX positions resulting from translation risk
- ➔ Requirement for banks to document in the policies the rationale to allocate FX/COM BB position to trading desks solely dealing with BB positions (notional trading desk) and trading desks dealing with both TB and BB

Amending RTS on FRTB – Questions for consultation

- Q1.** Do you agree with the changes proposed in the context of the RTS on profit and loss attribution requirements? Do you see the need of additional changes to reflect amendments made via CRR3? Please elaborate.
- Q2.** Do you agree with the changes proposed in the context of the RTS on risk factors' modellability assessment? Do you see the need of additional changes to reflect amendments made via CRR3? Please elaborate.
- Q3.** Do you agree with the changes proposed in the context of the RTS on the treatment of FX and Commodity risk in the non-trading book? Do you see the need of additional changes to reflect amendments made via CRR3? Please elaborate.



03

Amending RTS on
SA-CCR

Amending RTS on SA-CCR

The existing mandate under Art. 279a(3)(a) CRR (to specify the formula to calculate the supervisory delta of interest rate options compatible with negative interest rates) has been amended in the CRR3 to also specify the formula for commodity options compatible with negative commodity prices. The supervisory volatility suitable for those formulas should be specified as well.

The existing RTS on SA-CCR have therefore been expanded:

- ➔ The λ shift approach is extended to commodity options;
- ➔ The shift may be determined using the same formula applied for negative interest rates;
- ➔ The supervisory volatility is unchanged, i.e. $\sigma = 150\%$ for electricity and 70% for other commodities;
- ➔ The existing RTS have also been reviewed to maintain the text fit with the new Level 1.

Amending RTS on SA-CCR – Questions for consultation

- Q1.** Do you agree with the proposed approach for the supervisory delta of commodity options (i.e. to apply a λ shift, determined at transaction level, in both price and strike values)?
- Q2.** Which one of the three options (option a: EUR 0.1, option b: EUR 1 or option c: EUR 10) do you think is more appropriate as a threshold? Please provide the rationale for the chosen option.
- Q3.** Do you agree with the proposed approach for the supervisory volatility (i.e. maintain 150% for electricity and 70% for other commodities)?

Thank you!

Any questions?



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