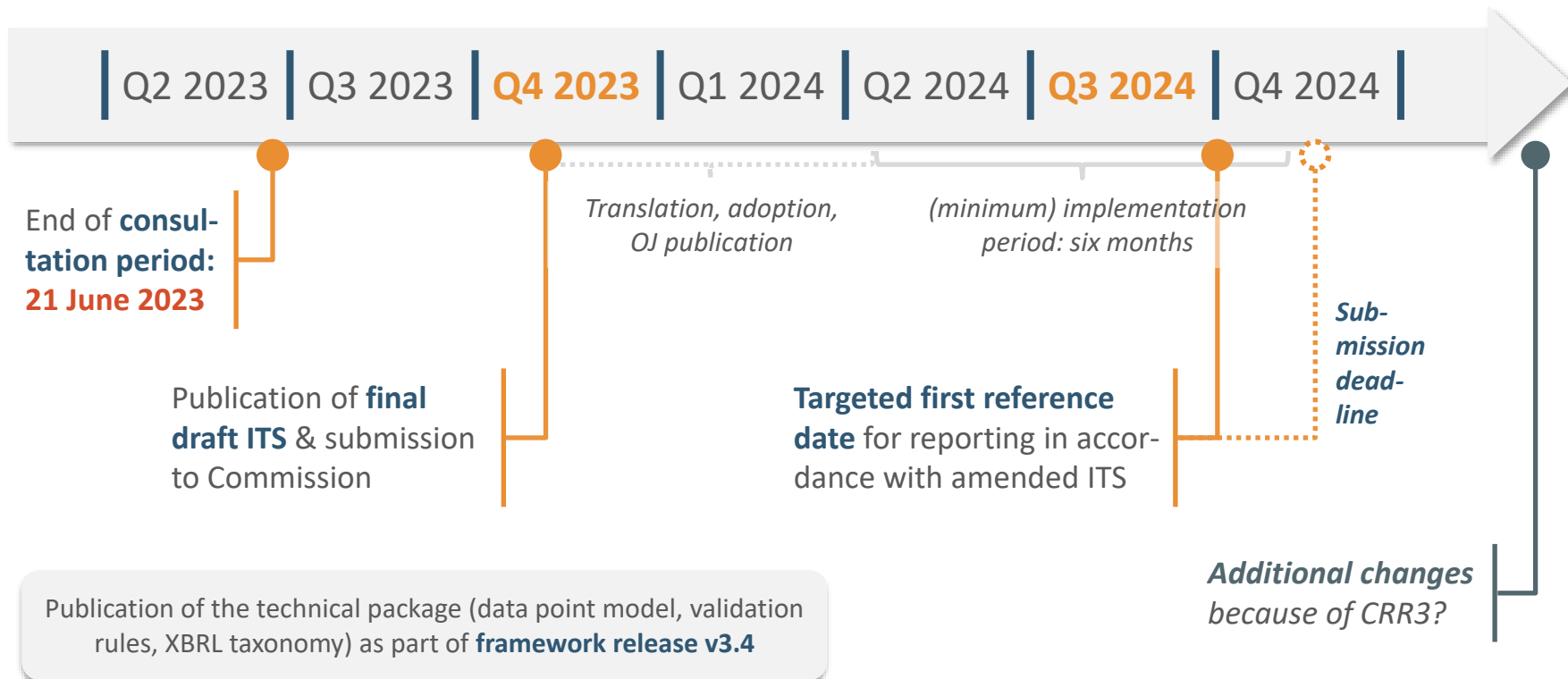# Public hearing on amendments to the ITS on specific reporting requirements for market risk (FRTB reporting)

WebEx meeting, 25 May 2023

Timeline for the finalisation of the draft amending ITS

EBA EUROPEAN BANKING AUTHORITY

EBA Regular Use

| Q2 2023 | Q3 2023 | **Q4 2023** | Q1 2024 | Q2 2024 | **Q3 2024** | Q4 2024 |

End of **consul-tation period: 21 June 2023**

Translation, adoption, OJ publication

(minimum) implementation period: six months

Publication of **final draft ITS** & submission to Commission

Targeted first reference date for reporting in accor-dance with amended ITS

Sub-mission dead-line

Additional changes because of CRR3?

Publication of the technical package (data point model, validation rules, XBRL taxonomy) as part of **framework release v3.4**

Public hearing on the amendments to the ITS on FRTB reporting

OVERVIEW: SCOPE OF THE CP, AFFECTED ENTITIES, TIMELINES

FRTB reporting – objectives / design principles

Proportionality	Intrinsic proportionality of the CRR framework (TB threshold and threshold for business subject to market risk)
	No additional 'explicit' proportionality measures in the ITS

Track, as much as possible, the process for calculating own funds requirements	Integrate with the disclosure requirements (except purely qualitative disclosures)	Implementable in DPM and XBRL taxonomy, supporting data quality assurance
Barely any data point not directly linked to the calculations → mitigate cost of compliance with the reporting requirements	But: development of EU-templates still pending	Some rarely used features (e.g. templates with two z-axes)
		Significantly more data ('offsetting group'-based reporting)

Overview: Scope of the amendments

In this consultation paper

Possible additional amendments (future CP)

| Trading book boundary & movements betw. books | ▪ [Size of the business subject to market risk (unchanged)]
▪ Movements between books | ▪ Composition of books: Presumptions |

| Simplified SA (current SA) | | ▪ CRR3 amendments (e.g. scaling factors) |

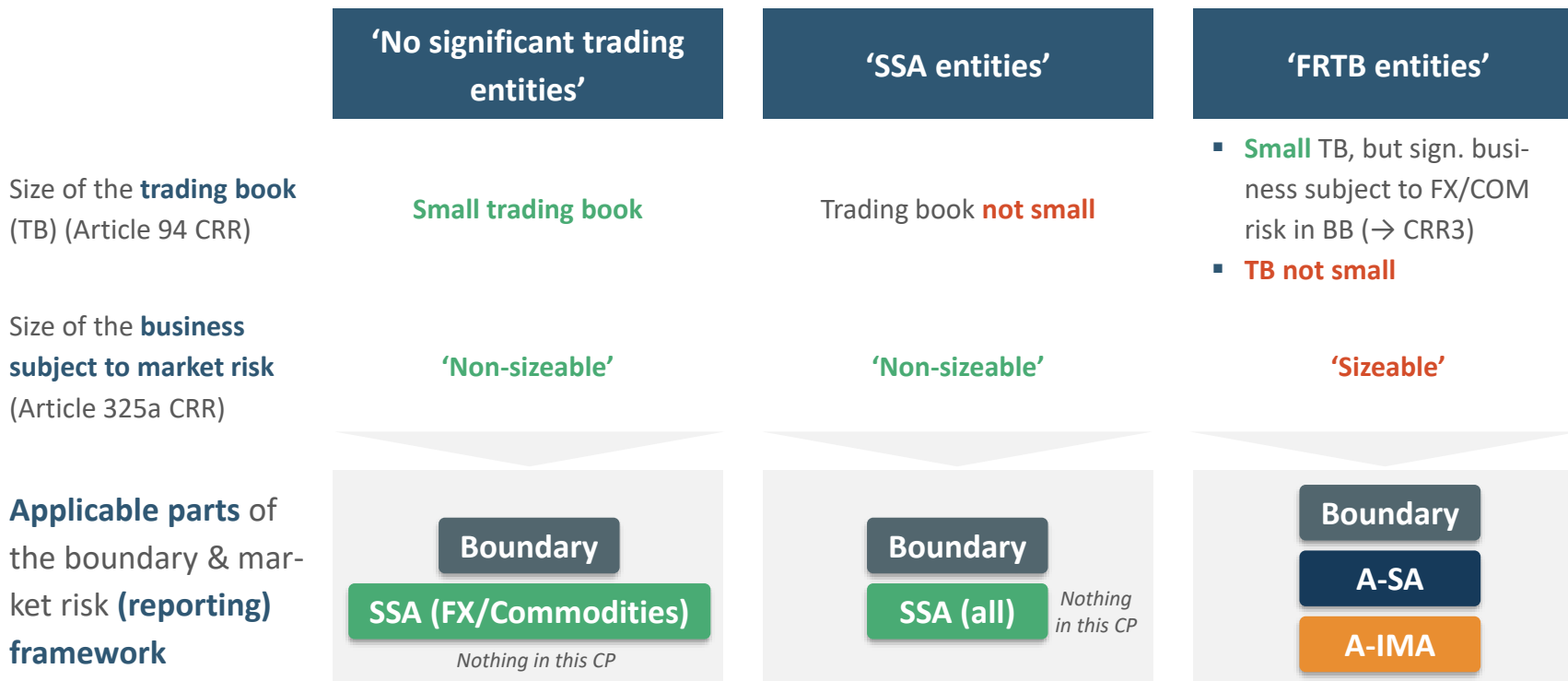| FRTB: Standardised approach (A-SA) | ▪ Overview of own funds requirements (additional scopes)
▪ Details on SBM, default risk charge, RRAO
▪ [Profit & loss data (for all business subject to market risk)] | ▪ CRR3 amendments? |

| FRTB: Internal model approach (A-IMA) | ▪ Overview over the own funds requirements
▪ Details on RFET, back-testing, ES/SSRM, DRC, … | ▪ CRR3 amendments? |

+ Changes to Overview of RWEA (C 02.00)
+ Offsetting group info (C 06.02)

Overview: Who is affected by the amendments

	'No significant trading entities'	'SSA entities'	'FRTB entities'
Size of the **trading book** (TB) (Article 94 CRR)	**Small trading book**	Trading book **not small**	▪ **Small** TB, but sign. business subject to FX/COM risk in BB (→ CRR3) ▪ **TB not small**
Size of the **business subject to market risk** (Article 325a CRR)	**'Non-sizeable'**	**'Non-sizeable'**	**'Sizeable'**
Applicable parts of the boundary & market risk **(reporting) framework**	**Boundary** **SSA (FX/Commodities)** *Nothing in this CP*	**Boundary** **SSA (all)** *Nothing in this CP*	**Boundary** **A-SA** **A-IMA**

Overview: When do the amendments effectively apply

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Trading book boundary & movements betw. books	FRTB: Standardised approach (A-SA)	FRTB: Internal model approach (A-IMA)

Unknown as of now
(envisaged to be implemented through amendments to the ITS on Supervisory Reporting – Reg. (EU) 2021/451)

Estimated to be applicable from the **application date of the CRR3** (or shortly after)

(see also EBA No Action letter)

**From
the date of application of the amending ITS,** i.e. from the

later of

Reference date 30 September 2024

and

the entry into force of the amending ITS + 6 months

From

the later of

the date when the institution receives the permission to apply the A-IMA

and

either November 2025 or the application date of the CRR3

Public hearing on amendments to the ITS on FRTB reporting

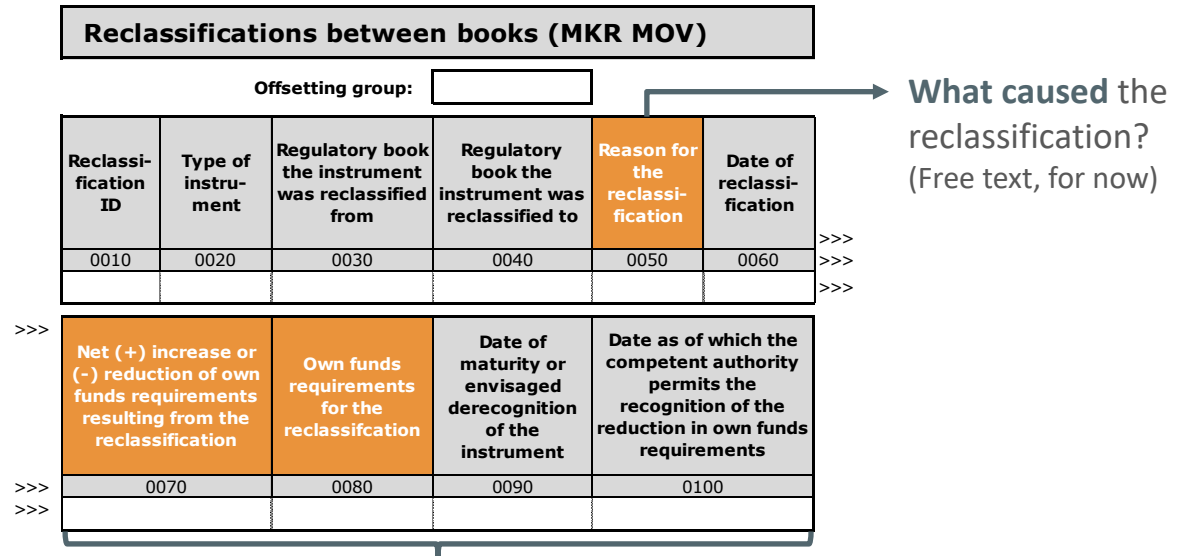# (I) TRADING BOOK BOUNDARY, (II) A-SA REPORTING AND (III) P&L DATA

Trading book boundary & movements

New template on the reclassification of instruments between books

Scope

- Any reclassification made in the reporting period (quarter)
- Any reclassification from a previous quarter, that is still 'relevant' in the reporting period

Reclassifications between books (MKR MOV)

Offsetting group:

Reclassi-fication ID	Type of instru-ment	Regulatory book the instrument was reclassified from	Regulatory book the instrument was reclassified to	Reason for the reclassi-fication	Date of reclassi-fication	
0010	0020	0030	0040	0050	0060	>>> >>>
						>>>

What caused the reclassification?
(Free text, for now)

	Net (+) increase or (-) reduction of own funds requirements resulting from the reclassification	Own funds requirements for the reclassifcation	Date of maturity or envisaged derecognition of the instrument	Date as of which the competent authority permits the recognition of the reduction in own funds requirements
>>>	0070	0080	0090	0100
>>>				

Is there an **add-on to the own funds requirements?**
From which date onwards does that add-on **expire or is being waived?**
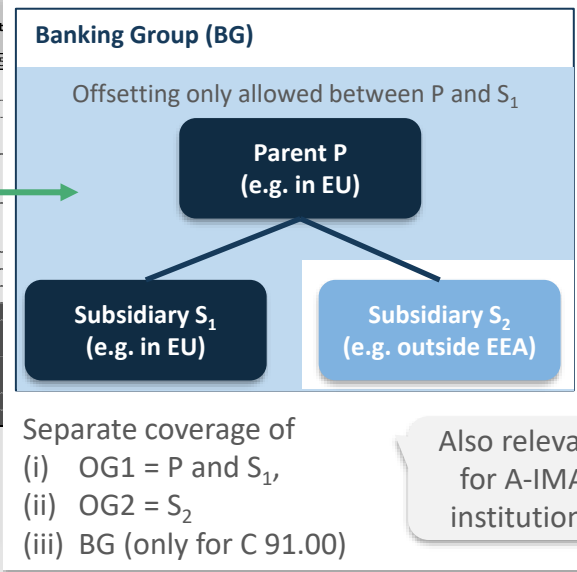
FRTB-SA (A-SA) (1)

The overview template

C 91.00 Alternative Standardised Approach: Summary (MKR ASA SUM)

Offsetting group:
Scope:

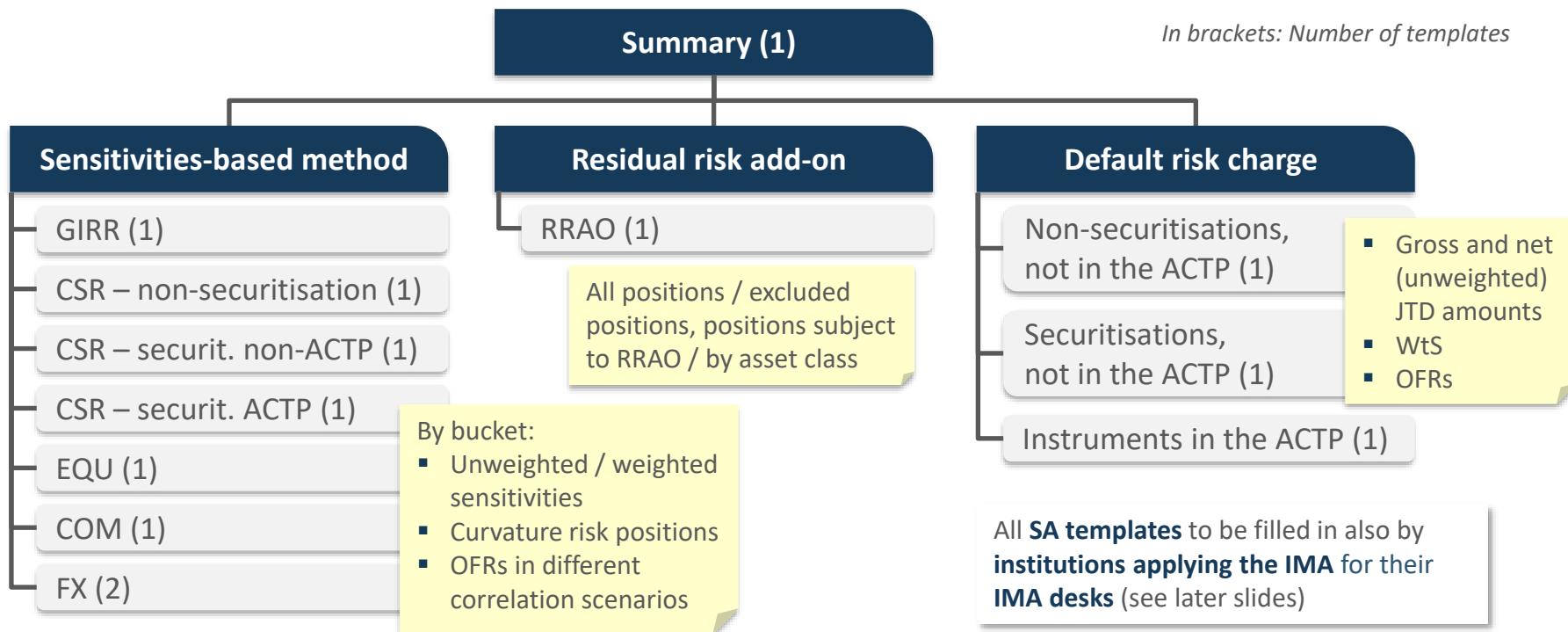			Positions subject to sensitivities-based method														Positions subject to default risk	Positions subject to residual risk	Own funds	Total risk expo-
		Unweighted delta sensitivities			Own funds requirements in the different scenarios											Gross jump-to-default (JTD) amounts			
					Low correlation scenario				Medium correlation scenario				High correlation scenario						
		Positive	Negative	Net sensitivities per risk class	Delta Risk	Vega Risk	Curva-ture Risk	Total	Delta Risk	Vega Risk	Curva-ture Risk	Total	Delta Risk	Vega Risk	Curva-ture Risk	Tot			
		0010	0020	0030	0040	0050	0060	0070	0080	0090	0100	0110	0120	0130	0140	015			
0010	Total (Alternative standardised approach)																		
0020	General interest rate risk (GIRR)																		
0030	Credit spread risk for non-securitisations (CSR)																		
0040	Sensi-tivity-based method / Credit spread risk for securitisation not included in the alternative correlation trading portfolio (non-ACTP CSR)																		
0050	Credit spread risk for securitisation included in the alternative correlation trading portfolio (ACTP CSR)																		
0060	Equity risk (EQU)																		
0070	Commodity risk(COM)																		
0080	Foreign exchange risk(FX)																		
0090	Non-securitisations																		
0100	Default risk / Securitisation not included in the alt. correlation trading portf. (non-ACTP)																		
0110	Securitisation included in the alt. correlation trading portfolio (ACTP)																		
0120	Residual risk / Exotic underlyings																		
0130	Other residual risks																		

New z-axes in the overview template for

- The reporting by **offsetting group**
- The reporting of **different scopes of positions**:
  - A-SA institutions: One single scope (all business subject to market risk)
  - A-IMA institutions: Several scopes, see later slides

Banking Group (BG)

Offsetting only allowed between P and S_1

Parent P (e.g. in EU)

Subsidiary S_1 (e.g. in EU)

Subsidiary S_2 (e.g. outside EEA)

Separate coverage of
(i)   OG1 = P and S_1,
(ii) OG2 = S_2
(iii) BG (only for C 91.00)

Also relevant for A-IMA institutions

FRTB-SA (A-SA) (2)

The details templates for sensitivities-based method, default risk charge and RRAO

In brackets: Number of templates

Summary (1)

Sensitivities-based method	**Residual risk add-on**	**Default risk charge**

Sensitivities-based method:
- GIRR (1)
- CSR – non-securitisation (1)
- CSR – securit. non-ACTP (1)
- CSR – securit. ACTP (1)
- EQU (1)
- COM (1)
- FX (2)

By bucket:
- Unweighted / weighted sensitivities
- Curvature risk positions
- OFRs in different correlation scenarios

Residual risk add-on:
- RRAO (1)

All positions / excluded positions, positions subject to RRAO / by asset class

Default risk charge:
- Non-securitisations, not in the ACTP (1)
- Securitisations, not in the ACTP (1)
- Instruments in the ACTP (1)

- Gross and net (unweighted) JTD amounts
- WtS
- OFRs

All **SA templates** to be filled in also by **institutions applying the IMA** for their **IMA desks** (see later slides)

Profits and losses of the business subject to market risk

The profit and loss template

To be reported by **all FRTB entities** for **all their business subject to market risk**

Offsetting group

Date (t)	Total	Economic profit (+) or loss (–)									Memo-randum item: Cove-rage of the data
				Of which attributable to:							
		Com-ments and expla-nations	General interest rate risk (GIRR)	Credit spread risk for non–secu-ritisations (CSR)	Credit spread risk for securitisation not included in the alternative corre-lation trading portfolio (non–ACTP CSR)	ACTP CSR – Credit spread risk for securitisation included in the alternative corre-lation trading portfolio (ACTP CSR)	Equity risk (EQU)	Commo-dity risk (COM)	Foreign ex-change risk (FX)	Com-ments and expla-nations	
0010	0020	0025	0030	0040	0050	0060	0070	0080	0090	0095	0100

Motivation

- Does 'regulatory' model capture the institution's risk well?
- Framework calibration adequate?

- **Freedom** to choose methodlogy, **but need to explain** the methodology used

- P&L data…
  - **MUST** cover instr. allocated to **trading book** (→ daily revaluation, Article 105(3) CRR)
  - **CAN** cover positions in **banking book** subject to FX or commodities risk

Public hearing on amendments to the ITS on FRTB reporting

REPORTING BY A-IMA INSTITUTIONS

A-IMA: Reporting by an A-IMA institution (1)

What do A-IMA institutions report?

… on the basis of the A-IMA templates

- Detailed A-IMA information on the portfolio of their A-IMA desks / positions ('IMA$_{IMA}$')

- SA$_i$ ('end result') for each IMA desk

… on the basis of the A-SA templates

- Detailed A-SA information on the portfolio of their A-IMA positions (SA$_{IMA}$)

- Detailed A-SA information on the business subject to market risk (SA$_{All\ desks}$)

A-IMA Summary template aims to capture **all the components** of the final 'own funds re-quirements for market risk of an IMA institution'

A-IMA: Summary of own funds requirements - Structure

Offsetting group

	Modellable risk factors: Expected shortfall measure							>>>
	Previous day's risk measure (ES$_{t-1}$)	Average of daily risk measure over the preceding 60 business days (ES^{avg} · m$_c$)		Multiplier m$_c$		Memorandum items		
				of which: quantitative add-on (back-testing)	of which: qualitative add-on	Number of over-shootings	Recognition of extraordinary circumstances	
Rows	0010	0020	0030	0040	0050	0060	0065	>>>
0010								>>>

	Non-modellable risk factors: Stress scenario risk measure		Default risk		IMA own funds require-ments for IMA desks	>>>
>>>	Previous day's risk measure (SS$_{t-1}$)	Average of daily risk measure over the preceding 60 business days (SS^{avg})	Most recent own funds requirements for default risk	Average own funds requirement for default risk over the preceding 12 weeks	IMA$_{IMA}$	
>>>	0070	0080	0090	0100	0110	>>>
>>>						>>>

	SA own funds require-ments for all IMA desks	Capital surcharge calculation				SA own funds require-ments for SA desks	SA own funds requirements for all desks	Own funds requirements for the on- and off-balance sheet business subject to market risk	Total risk exposure amount
		SA own funds requirements for non-green IMA desks	SA own funds requirements for all IMA desks (desk by desk)	k-coefficient	Capital surcharge				
>>>	SA$_{IMA}$	Σ$_{(i\ in\ NG)}$SA$_i$	Σ$_{(i\ in\ IMA)}$SA$_i$	k	C$_u$	C$_u$	SA$_{All\ desks}$		
>>>	0120	0130	0140	0150	0160	0170	0180	0190	0200
>>>									

The **A-IMA templates** provide **more details** on this upper section

A-IMA: Reporting by an A-IMA institution (2)

An example…

An institution has

- Three A-SA 'desks' (no permission to use internal models): **A-SA portfolio (C_U)**

- Two A-IMA desks meeting all requirements: D_{AIMA1}, D_{AIMA2}

- One A-IMA desk failing the PLAT (red zone) or the back-testing (BT): D_{AIMA3}
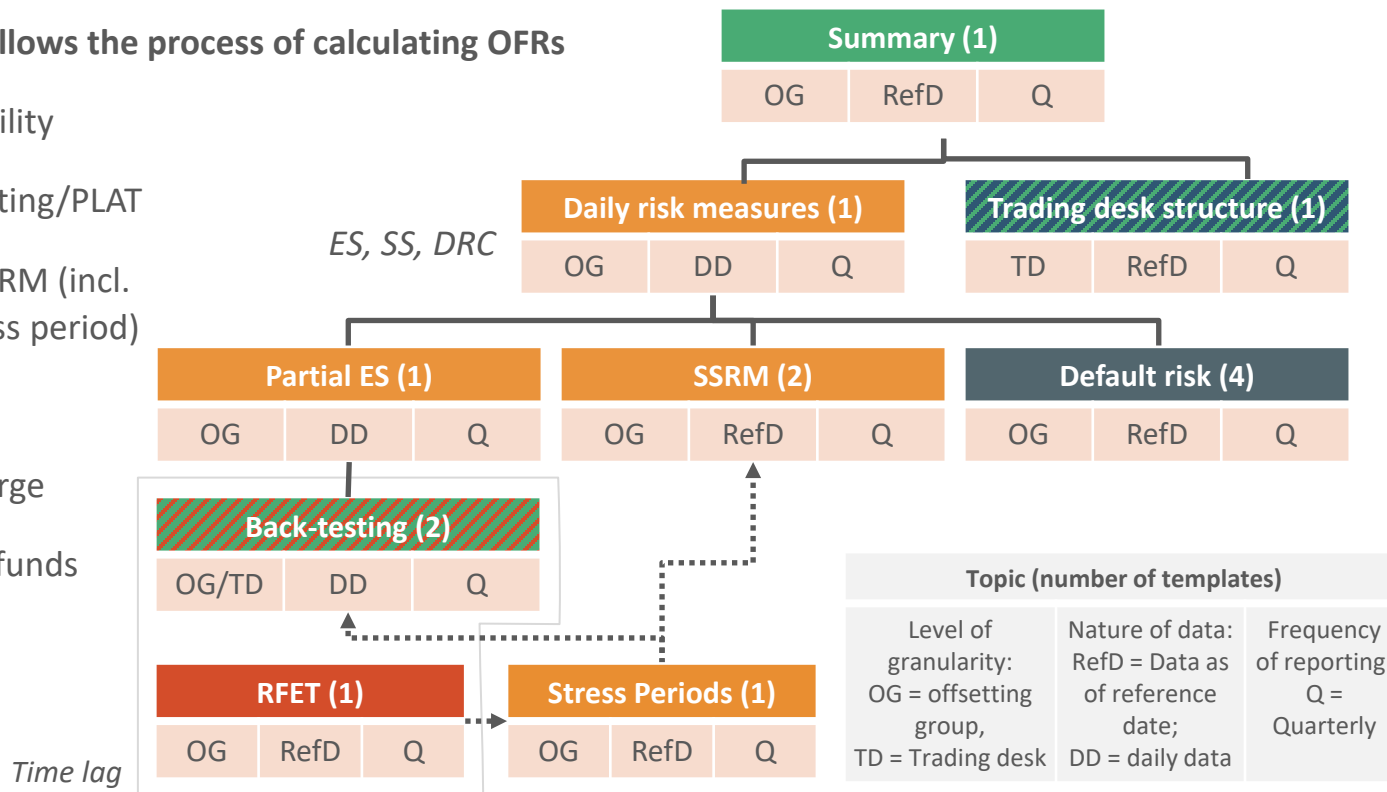
in the offsetting group.

… and what is reported where

- A-SA templates

  - (Portfolio of) **A-SA portfolio (C_U)** ∪ D_{AIMA3}

  - (Portfolio of) A-IMA desks: D_{AIMA1} ∪ D_{AIMA2}

  - (Portfolio of) all positions subject to market risk (C_U ∪ D_{AIMA1} ∪ D_{AIMA2} ∪ D_{AIMA3})

- A-IMA templates

  - (Portfolio of) D_{AIMA1} ∪ D_{AIMA2}: All details (excl. TDS and BTTD)

  - D_{AIMA1}, D_{AIMA2}, D_{AIMA3} (Desk, by desk)
    - Template TDS: e.g. PLAT results, meets BT requirements (Yes/No), traded risks / instruments, …
    - Template BTTD: back-testing details

A-IMA reporting: Content

Reporting closely follows the process of calculating OFRs

- Assess modellability

- Perform Backtesting/PLAT

- Calculate ES / SSRM (incl. selection of stress period)

- Calculate DRC

- Calculate surcharge

- Determine own funds requirement

Summary (1)		
OG	RefD	Q

ES, SS, DRC

Daily risk measures (1)		
OG	DD	Q

Trading desk structure (1)		
TD	RefD	Q

Partial ES (1)		
OG	DD	Q

SSRM (2)		
OG	RefD	Q

Default risk (4)		
OG	RefD	Q

Back-testing (2)		
OG/TD	DD	Q

RFET (1)		
OG	RefD	Q

Stress Periods (1)		
OG	RefD	Q

Time lag

Topic (number of templates)		
Level of granularity: OG = offsetting group, TD = Trading desk	Nature of data: RefD = Data as of reference date; DD = daily data	Frequency of reporting: Q = Quarterly

The last words

**Thank you very much
for your attention!**

Please remember to provide

your written response

by submitting it via the

EBA consultation paper page.

Deadline: **21 June 2023**

EUROPEAN BANKING AUTHORITY

Floor 24-27, Tour Europlaza
20 Avenue André Prothin
92400 Courbevoie, France

Tel: +33 1 86 52 70 00
E-mail: info@eba.europa.eu

https://eba.europa.eu/