German Banking Industry Committee

Die Deutsche Kreditwirtschaft

Comments

Consultation Paper Draft Implementing Technical Standards on Supervisory Reporting concerning output floor, credit risk, market risk and leverage ratio (EBA/CP/2023/39)

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The **German Banking Industry Committee** is the joint committee operated by the central associations of the German banking industry. These associations are the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR), for the cooperative banks, the Bundesverband deutscher Banken (BdB), for the private commercial banks, the Bundesverband Öffentlicher Banken Deutschlands (VÖB), for the public-sector banks, the Deutscher Sparkassen- und Giroverband (DSGV), for the savings banks finance group, and the Verband deutscher Pfandbriefbanken (vdp), for the Pfandbrief banks.

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Overview of questions for consultation

General remarks

We welcome the opportunity to respond to the consultation of the Regulation amending Commission Implementing Regulation (EU) 2021/451 concerning the output floor, credit risk and leverage ratio.

Regarding the first reference date we strongly ask for a postponement of at least six months (09/30/2025).
Typically, banks need more than 12 months for a complete and sound implementation of such extensive changes. Especially the new rules of the "Output Floor" create exhaustive efforts as model banks have to implement the reporting for the standardized approaches from the scratch.
The software vendors will not provide test versions before the relevant DPM is published, which will further shorten the time period left for banks to test and implement.
Additionally, various applications have to be submitted and approved before a fully-fledged CRR3 reporting can be made, e.g., for the usage of certain approaches like the SA-CVA or the return to less sophisticated approaches from internal models before the first-time application. Until that, it won't even be clear which approach shall be the basis for the reporting.
Hence, we expect EBA to stick to the principle that institutions will have at least 12 months to implement significant new requirements from the date of submission of the final updated ITS to the EU Commission and publishment of the relevant DPM, which is planned for the third quarter of 2024. Hence, the first reference Date for the Reporting should be end of September 2025.

At least, we suggest focusing on the changes of the own funds and credit risk templates C 02.00, C 07.00 and C 08.00 and in consequence, to implement the reporting and disclosure of the new templates C 10.00, C 25.00 as well as the new market risk templates C 90.xx at a later date (end of September 2025) with many unclear issues (see below).

Moreover, the submission deadline for the first two reporting dates should be extended by at least one month.

In addition to that, we suggest increasing the error margin for all validation rules with reference to modified templates for the first two reporting dates (only "warnings", instead of "errors", that would prevent an institution from submitting the template").

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

With regard to templates containing IRB as well as SA requirements, it should be made clearer that reporting requirements (rows, columns) concerning internal models (i.e. output floor; TREA) shall only be reported by institutions using internal models. Otherwise, institutions using the standardized approach would have to report certain aspects several times. For example, see template C 03.00 rows 0070 – 0090 where SA-CR institutions would repeat their capital ratios. We suggest adding "For institutions subject to the output floor…" as in the instructions for column 0020 of template C 02.00. In case those rows or columns do not apply, clarification is needed whether they should be reported empty or reported at all. Moreover, it should be clarified whether column 10 in C 02.00 shall indeed show TREA as opposed to U-TREA (c.f. remark under question 2).

Regarding the amendments of template C 09.02 we suggest renaming row 0011 as follows to improve the understanding of the content and avoid misunderstandings:

> *"Of which: Regional governments or local authorities" to "Of which: Regional governments or local authorities* ***treated as exposures to central governments****"*

When overviewing the new templates and instructions we took notice of an inconsistency. The instructions for templates C 02.00, row 0051 and C 10.00, row 0020 refer to Article 124 (2) and Article 124 (5) which is not consistent with the new CRR3. The reference should be to Article 124 (7) CRR.

Furthermore, we have some comprehension questions or need for clarification:

- *Template C 02.00, row 690 et seq.: according to the mapping tool for CRR3_step1 provided within the consultation on public disclosure (EBA/CP/2023/38) this row is mapped to the template OV1, row 1 "credit risk". To our understanding additional "other risk exposure amounts" reported in row 690 et seq. could arise from all kinds of risk categories and are not limited to credit risk. More guidance about what is to be reported in row 690 et. seq. is needed, especially what is to be reported in row 760. Should this row be used for mandatory requirements by competent authorities? Should this row be used for risk exposure amounts which could by assigned to a risk category like credit risk or market risk?*
- *Template C 90.05 and C 90.06: The purpose and benefits of the templates are unclear.*
  - *C 90.05 – row 0070 "Memorandum item: Instruments classified as having a trading purpose under the accounting framework".*
    It is unclear, which positions and values have to be reported here. The instructions just refer to Article 104 and Article 104 (2), first subparagraph, point (d), of Regulation (EU) No 575/2013 but do not specify the content which has to be reported. The content of the whole template is limited to positions assigned to the trading book as referred to in Article 4 (1), point (85), of Regulation (EU) No 575/2013. Hence, this row could only show "of which: with trading purpose according to the accounting framework" with reference to row 0010. Please add this clarification to the template and the instructions.
  - *C 90.06 – row 0010 "Financial instruments: Assets and on-balance sheet items subject to CCR".*
    The relevant positions remain unclear. The label of the row limits the content to exposure which is subject to counterparty credit risk.
    The instruction "exposures subject to own funds requirements for counterparty credit risk, assigned to the non-banking book" is unclear. Derivatives and SFTs are subject to CCR. The whole amount of Exposure for CCR (e.g. from SA-CCR or EPE), regardless if the derivative is allocated to the trading book or the non-trading book is subject to credit risk and reported as credit risk for the non-trading book on the C 07 or C 08 templates. A limitation of the underlying positions for CCR trading and non-trading book does not make sense to us. Hence, we assume, the hole amount of Exposure for CCR (regardless of the individual instruments are allocated to the trading or banking book) should be reported here. We ask to amend the label and the instructions.
    With regard to the second sentence "As regards columns 0060 to 0170, institutions shall only report exposures subject to own funds requirements for credit risk, including

exposures subject to counterparty credit risk and securitisations." the limitation to columns 0060 to 0170 is unclear. This would lead to the situation, that the majority of the credit related banking book exposure would not be reported in column 0010 and there would not be consistency to the Templates C 07.00 or C 08.01 or C 13.01 as desired according to the instructions for column 0010.

- *C 90.06 – row 0030 "Financial instruments: Short positions and liabilities".*
  The definition of the relevant positions and values to be reported remains unclear. The instructions "they would be subject to own funds requirements for at least one of the following risks, if they were assigned to the trading book: position risk, general interest rate risk, credit spread risk, equity risk or default risk" does not make sense to us, because this would cover almost every short position and liability of a Bank (e.g. deposits, bonds, equity). Furthermore, short positions and liabilities which are not subject to FX and commodities risk are not part of the relevant data in the IT-Systems for the calculation and reporting of Own Fund requirements. We kindly ask to delete the row 0030.
- *C 90.06 – column 0050 "Memorandum Item: Financial Instruments, Commodities and exposures in foreign currency".*
  It is unclear which values should be reported here. Firstly, the first paragraph refers to Article 325a (2f), according to which the absolute amounts of the aggregated long positions must be summed up with the absolute amounts of the aggregated short positions. It can be assumed that this refers to the overall net foreign exchange position in accordance with Article 325a (2d) and Article 352. On the other hand, it is stated in the third paragraph that for instruments that meet the own funds requirements for credit risk (incl. CCR + securitizations), the original exposure before CCF should be disclosed, for positions subject to the requirements for commodity risk, the value acc. to Article 325a and, for short positions and liabilities, the carrying amount. This would lead to a mixture of very different values from different IT-Infrastructures and the benefits of this result seem questionable to us. We kindly ask to delete the column 0050.

According to Annex II, there is a column 90 in template C 08.06 (CR IRB 6) where the expected loss amount is supposed to be reported. However, this column is missing in the corresponding reporting templates in Annex I. Could you please clarify whether the expected loss amount should be reported in Template C 08.06 or not?

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?

Template C 02.00

- *Columns 0010 and 0020 are supposed to present the amounts of TREA and S-TREA, respectively. At the same time, the headline in row 0036 suggests that the following rows shall present pre-floor REA amounts. However, according to Article 92 (3), TREA is the maximum of the aggregate unfloored REA (U-TREA) and the aggregate standardised REA multiplied by the respective floor factor (x*S-TREA), meaning TREA is the REA amount after application of the output floor.*

Moreover, only S-TREA can be broken down in the way demanded in C 02.00. Where the output floor is non-binding, TREA is equal to U-TREA. A breakdown of U-TREA, is, in turn, not possible in the demanded way, e.g., because the delimitation of exposure classes differs between the CR-SA and the IRBA. Where the output floor is binding, TREA cannot be broken down in a clear-cut way at all. In such cases, TREA is only defined at aggregate level. Even if hypothetical values for TREA were calculated multiplying S-TREA amounts by the respective output floor factor for each row, this would lead to senseless results for exposures that are not subject to an internal model (where in general U-TREA=S-TREA) in the first place. Due to interdependencies (cross-subsidising effects) TREA is not additively decomposable if the output floor is binding. Hence, there is no clear-cut, unique solution for the problem of breaking-down TREA and it is not addressed in the CRR, anyway. Therefore, column 0010 should be deleted.
In case column 10, row 0036 et seq. was actually supposed to show U-TREA (c.f. above), we would like to note that the amounts for U-TREA reported in column 10 rows 0050 – 0212 can deviate from the S-TREA amounts in column 20 if banks use the internal model approach for counterparty credit risk which feeds into U-TREA but not S-TREA.

Template C 05.01 and C 05.02

- *As far as we understand, the transitional provisions concerning templates C 05.01. and C 05.02 do not apply anymore. In this case, those templates could be deleted. If not, please provide further instructions.*

Template C 10.01 and C 10.02

- *It is not clear how to report equity positions subject to transitional provisions according to Article 495 CRR3. According to para. 26 of the Consultation Paper equity exposures subjects to transitional provisions must be reported in the existing IRB-templates C 10.01 and C 10.02. Nevertheless, according to para. 99 of the corresponding instructions in Annex II, equity exposures grandfathered in accordance with Article 495 (1) of Regulation (EU) No 575/2013 shall not be reported there. Could you please clarify where to report those equity positions? In our opinion it would be appropriate to include those equity positions in template C 07.00 and introduce new rows for the equity risk weights as the IRB-approach is no longer applicable.*

Template C 07.00

- *There is need for clarification on the reporting of retail exposures which must be multiplied by 1.5 according to Article 123a CRR3. According to Article 123 (3) CRR3 retail exposures are assigned a risk weight of 75 %. If the multiplier of 1.5 is applied the final risk weight would be 112.5%. In template C 07.00 no specific row is provided for this risk weight and according to Annex II the row 0280 "other risk weights" is not available for the exposure class retail. Could you please clarify how to deal with this issue?*
- *Annex II (i.e., the instructions for reporting) provides a decision tree for the assignment of exposure classes under the Credit Risk Standardised Approach (CR-SA) for the Template C 07.00 CR-SA. This decision tree is proposed to be amended to reflect the CRR3 changes of the introduction of a new exposure class 'subordinated debt' and the deletion of the exposure class 'items associated with particular high risk'. These new changes are fine. However, when looking at the sequence of the exposure classes 'equity exposures' and 'exposures in the form of units or shares in*

CIUs', this might cause issues. There might be cases where a share in a CIU is structured such that it would also fulfill the exposure class 'equity'.

- *For the IRBA exposure classes, the CRR3 clarifies in the replaced Article 147 (6) CRR that the exposures referred to in Article 133 (1) CRR (i.e., the equity exposures) must only be assigned to the equity exposure class if they are not assigned to the exposure class 'shares in a CIU':*
- *Article 147(6) CRR: "Unless they are assigned to the exposure class laid down in paragraph 2, point (e1), the exposures referred to in Article 133, paragraph 1 shall be assigned to the equity exposure class laid down in paragraph 2, point (e).*
- *We believe that the assignment logic should be consistent under IRBA and CR-SA. Therefore, if the exposure is not a securitisation, we believe that it must be first assessed whether the exposure must be assigned to the exposure class 'exposures in the form of units or shares in CIUs' and then only afterwards whether it must be assigned to the equity exposure class. This also ensures that the potential higher risk weight for shares in CIUs is applied in case of the fall-back approach. Our proposal would change the decision tree as follows:*
    - *Securitisation positions;*
    - *Exposures in the form of units or shares in collective investment undertakings ('CIU')/*
    - *Equity exposures*
    - *Exposures in default;*
    - *Subordinated debt exposures*
    - *Exposures in the form of units or shares in collective investment undertakings ('CIU')/ Exposures in the form of covered bonds (disjoint exposure classes);*

<u>Template C 08.01</u>

- *According to the instructions for template C 08.01, institutions that use the advanced IRBA (A-IRBA) should show market values in column 0190 ("Real estate"). Institutions using the foundation IRB approach (F-IRBA), on the other hand, should determine the real estate values in accordance with Article 199 (2) to (4a) CRR. However, as these regulations only set out the requirements for recognising real estate collateral under the F-IRBA, reference is also made to Article 229 CRR. This suggests that F-IRBA institutions should use the new "property value" defined there. This does not seem justified to us.*
- *According to Article 230 (1) CRR3, the LGD for a collateralised loan is to be calculated as a weighted average of the LGD of the collateralised and the uncollateralised part. When calculating the weighting factor for the collateralised portion, the "current value" must be used for all permissible collateral types (financial collateral, receivables, residential/commercial property and other physical collateral). This value is not defined in the CRR.*
- *According to the Basel requirements, the "objective market value of collateral" must be recognised in the IRBA for real estate collateral (CRE 36.131). This is defined as the "current fair value under which the property could be sold under private contract between a willing seller and an arm's-length buyer on the date of valuation." This largely corresponds to the definition of market value in Article 4 (1) No. 76 CRR. By contrast, the "value of the property" (CRE 20.75), which corresponds to the "property value" in Article 229 (1) CRR3, is explicitly used in the consolidated Basel*

standard - as in the CRR - only to calculate the risk weights in the standardised approach for credit risk.

For these reasons, institutions that use the F-IRBA should also report market values in column 0190. Due to the discount of 40% to be applied (Article 230 (2) CRR3), this approach should be considered sufficiently conservative.

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

Issue: Templates not part of the ITS

- *Para. 6 of the consultation paper sets out the idea that the templates and instructions will not be part of the ITS / Commission Implementing Regulation published in the official journal. This is justified by an interpretation of Article 430 paragraph 7, subparagraph 1 as amended by the CRR3, that they would be part of the ITS-related IT tools.*

- *We welcome EBA's efforts to provide the necessary templates and instructions for the reporting as early as possible and in all required languages on the EBA website in order to enable rapid implementation by the institutions, despite the very challenging time schedule.*

- *However, we cannot accept the interpretation that the templates and instructions should no longer be part of the Commission Implementing Regulation ITS. The templates and instructions specify the content and thus go far beyond pure IT solutions. In our opinion, content requirements should in principle must be legitimized by the EU legislative bodies and must should not be determined solely by the EBA. From our point of view Article 430 para. 7 CRR could well be interpreted in such a way that all contents referred to in paragraph 7 must be part of the Implementing Technical Standard. In our opinion, this also applies to the mapping tool created by EBA for mapping content from the templates to the templates for disclosure.*

- *To ensure that the inclusion of the reporting templates and instructions in the ITS on reporting does not result in institutions not having sufficient time for implementation, the first reporting deadline should be postponed by six months to 30th September 2025, as requested above.*

- *However, if the EBA and the EU Commission maintained its the interpretation that the reporting templates are not part of the ITS on reporting / Commission Implementing Regulation, the resulting leeway should definitely be utilised in order to provide institutions with a reliable basis for the new reports as early as possible. For this reason, we are in favour of publishing the final reporting templates and instructions at the same time as the EBA submits the final ITS draft to the EU Commission.*

Question 4 - Cost of compliance with the reporting requirements: Is or are there any element(s) of this proposal for new and amended reporting requirements that you expect to trigger a particularly high, or in your view disproportionate, effort or cost of compliance? If yes, please:

- specify which element(s) of the proposal trigger(s) that particularly high cost of compliance,
- explain the nature/source of the cost (i.e. explain what makes it costly to comply with this particular element of the proposal) and specify whether the cost arises as part of the implementation, or as part of the on-going compliance with the reporting requirements,
- offer suggestions on alternative ways to achieve the same/a similar result with lower cost of compliance for you.

- ***Prioritization and eliminate less relevant data points***
  The number of templates and data points requested for supervisory reporting has been considerably increased in recent years (e.g. FRTB templates, IRRBB templates, new C 10.00, CVA template C 25, ESG-Add-hoc etc.). We understand the fundamental need for information on supervisory relevant data for supervisory authorities. However, there should be a focus on truly essential information for regulators, so that resources are not used for non-relevant or insignificant data points. Therefore, with each introduction of new reporting requirements, a review of the existing data points should be carried out. If new requirements are considered as more important than existing data points, old templates/data points with lower priority should be removed. To avoid a disproportionate increase of cost of compliance we consider it necessary to remove existing data points with every new requirement.

- ***In this regard we propose the following amendments to the ITS:***
  - *Large institutions according to Article 4 (146) CRR should have the general option to report all values in millions (e.g. million EUR) and all validation rules should accept small deviations due to rounding.*
  - *Delete template C 05.01 - TRANSITIONAL PROVISIONS (CA5.1) – In practice, there should be little relevant information here, as the vast majority of transitional provisions have been expired.*
  - *Delete template C 05.02 - GRANDFATHERED INSTRUMENTS: INSTRUMENTS NOT CONSTITUING STATE AID (CA5.2) – In practice, there should be little relevant information here, as the vast majority of transitional provisions have been expired.*
  - *Waiver of template C 32.01 - Prudent Valuation: Fair-Valued Assets and Liabilities (PRUVAL 1) for all institutions that exceed the relevant threshold and fill in templates C 32.02-04*
  - *Waiver of C 90.00 - Trading book thresholds (TBT) – for institutions that exceed the relevant threshold and provide the relevant detail templates for market risk*
  - *Delete template C 43.00 - ALTERNATIVE BREAKDOWN OF LEVERAGE RATIO EXPOSURE MEASURE COMPONENTS (LR4) – With introduction of parallel calculation and reporting of TREA, S-*

TREA and S-TREA output floor there should be a relevant backstop in place and sufficient information on EAD and RWA available according to different approaches (C 02.00 and C 10.00) so that C 43.00 would lead to double reporting. Furthermore, exposure classes changed which would produce further efforts to map results to C 43.00 and the reporting of Floor adjustments would be unclear.

- *Example for disproportionate, effort or cost of compliance:*
    - *The introduction of the new subset of exposure classes for exposures "secured by mortgages on immovable property and ADC exposures" and unclear differentiation for the exposure class according to Article 124 CRR (for details s. comment on Question 9) The new templates C 90.05 and C 90.06 would add complexity, produce disproportional efforts and costs for implementation and ongoing reporting. The two new templates C 90.05 and C 90.06 require information which are not available in the IT landscape. The reasons to allocate positions to the trading and banking book are not managed via IT systems but rather via policies and guidelines which are monitored on a decentralised level. A systematic split of positions by these reasons would therefore lead to unreasonably high implementation costs. The templates mix up data for market risk, credit risk, accounting and require hypothetical calculations, which are not necessary to compute the regulatory capital requirements and thus are not covered by the CRR. Furthermore, the instructions and templates are mostly unclear and do not seem to be designed with the necessary care (for details s. comment on Question 1). We urgently ask to remove these new templates. In case information about inclusion of instruments in the trading book are necessary in individual cases (e.g. for an onside inspection), this should be made available to the competent authority individually on a case by case basis.*

What are your views on introducing more granular reporting in Step 2 in credit risk IRB templates C 08.XX to include obligor or loan level reporting? Explain the nature/source of the cost and the benefits.

According to this proposal, a final draft ITS will be submitted at the end of the second quarter in 2024. Additionally, it is expected that institutions already comply with the new requirements by March 31, 2025. As a result, that only leaves six months for implementing new rows, new columns, new templates and partly new instructions.

The EBA report on the study of cost of compliance (2021), states under recommendation 3 that EBA shall provide "materials and documents for implementation 12 months before the date of application (first reference date) of that release" which refers to the final draft ITS.
We would welcome it if the EBA were to be guided by the results of the study.

In that context, under para. 52 the proposal states that "further proportionality will be included in the next phase, where discussions will be held to decide on which templates are being used the least by competent authorities and if they can be removed or simplified." As we understand, institutions would

have to implement the proposed, consulted amendments at a rapid pace, only to de-implement some of it due to the results of discussions which were held afterwards.
This process is not efficient and contradicts the findings of the EBA study on cost of compliance since costs unnecessarily increase.

In general, it should be noted that the new transitional regulations and the new exposure classes will increase the complexity of reporting. This will also be reflected in the technical implementation in terms of the timeframe and costs for the institutions. In addition, unnecessary costs will be incurred for CR-SA institutions in particular, as the new templates contain numerous IRB-related reporting cells that do not need to be filled in but obviously need to be reported.

A more granular reporting at obligor or loan level would massively increase the cost of reporting. As can be seen from the discussion on the introduction of granular reporting in the context of IReF, many technically detailed questions have to be clarified beforehand. A parallel expansion of COREP reporting at the contract level would result in parallel efforts that cannot be covered by the institutions. The move to a more granular reporting of supervisory data should be integrated into an Integrated Reporting System initiative in a second step after this approach proved to be feasible in practice.

Output floor

Question 5 – separate template C 10.00 – IRB exposures subject to the output floor:

In addition to the reporting of standardised total risk exposure amounts in template C 02.00, column 0020 for the subset of SA and IRB exposure classes, a separate template C 10.00 is introduced to report IRB exposures subject to the output floor, broken down by SA exposure classes and reflecting the main steps of the calculation of the standardised risk weighted exposure amounts and capture the impact of transitional provisions for S-TREA. Do you identify any issues regarding the introduction of this template? Would it be more useful to report the information in C 08.01 to directly compare between capital requirements determined by the IRB approach and the SA?

Against the background of still not completely harmonized asset classes for the standardized approach (Article 112 CRR) and the internal ratings-based approach (Article 147 CRR) we consider the integration of detailed information regarding the calculation of the output floor as very complex. We are concerned that the integration in the C 08.01 - template would inflate the template C 08.01 or make an additional template necessary to report the asset classes only existing in the standardized approach. Therefore, we appreciate the idea of a separate template to trace the calculation of the output floor. This seems to be more transparent than the integration of the information in the C 08.01 – templates.

However, we understand rows 0030 to 0240 of the template C 10.00 as a breakdown by SA asset classes. The integration of IRB asset classes as "of which"-rows does not seem consistent to us and leads to an increased complexity, especially in cases of deviating asset classes in SA and IRB. Therefore, we would appreciate a breakdown exclusively by SA asset classes.

We prefer introducing a separate template C 10.00 instead of integrating this information in the existing IRB-templates. According to our current understanding, the relevant information is generally available, as it is required for the calculation of risk-weighted assets anyway.

We only have the following queries regarding columns 0090 - 0110 (memorandum items):
How should one proceed if the transitional provisions of Article 465 (3) and (5) letters a-b are not applied at the time of first-time application of CRR3? In our understanding, the differences in risk-weighted assets (RWA) resulting from the application of the RWA calculation in accordance with CR-SA, both with and without application of the transitional provisions, are to be recognized here, resulting in a difference of zero without application of the transitional provisions.
Can it be confirmed that the transitional provisions can also be applied after the date of initial application of the CRR3 (e.g. from 1st January 2026) until they cease to apply on 31th December 2029?

Question 6 - reporting of transitional provisions for the output floor (Article 465 of Regulation (EU) No 575/2013):

Is the design for the reporting of transitional provisions for the output floor clear enough? If you identify any issues, please specify the related templates and instructions.

Template C 03.00
According to the EBA proposal, RWA and CET1 ratio also need to be published under the assumption that transitional provisions (mainly treatment of unrated Corporates and mortgage financings) will expire without being replaced after 2032 via both COREP but also via the Pillar III report. We strongly recommend excluding this from the reporting requirements in COREP and Pillar III for following reasons:

- *Especially regarding unrated corporates there is a high expectation from all involved parties – namely politics, banking regulation as well as the banking industry – to find a solution which will sustainably keep the RWA charge in the CR-SA for respective exposure at acceptable levels to not unnecessarily increase funding costs for SMEs. Moreover, banks' balance sheets might well change until 2033. Hence, the possibility that RWA after expiration of the transitional provision will indeed reach the levels it would do without finding a proper solution in the market is extremely low. The requirement to report this figure would thus lead to a severe potential overstatement of RWA / understatement of the CET1 ratio simply based on a very hypothetical assumption.*
- *The reporting of hypothetically overstated RWA / understated CET1 ratio will most likely have negative effects regarding investors for the banks, potentially lowering share prices of / increase funding costs for the banks as investors will treat this as highly negative information. In addition, it will trigger unnecessary requests from investors as well as unnecessary discussions between banks and regulators.*
- *Setting up the reporting on hypothetical values causes unnecessary investments costs for the banks.*

- *We therefore think that this information should be communicated only between banks and their regulator on a case-by-case basis and under individual assumptions but it should not be treated as standardized reporting requirement and / or public information. Beside the Pillar III-disclosure of this information we have significant concerns about an inclusion in COREP. A major part of the COREP – Templates will be published on the EBA's website within the scope of the annual Transparency Exercise and will be open to the public as well. Once RWA or capital ratios without application of transitional provisions for the output floor are part of the reporting requirements their public availability will be only a matter of time.*
- *Therefore, we ask to amend the Template C 03.00 (and the corresponding mapping-tool for the Pillar 3 reporting) Memorandum Items in row 0330 – 0350 and the corresponding instructions to limit the reporting of fully loaded capital ratios to a calculation without the Basel phase-in of the output floor factor according to Article 465 (1) and (2) CRR only with remaining application of the EU-exemptions according to Article 465 (3)- (7) CRR.*
- *Moreover, there is need for a clarification for the rows 0360- 0380. The label and the instructions refer to Article 465(3), (4), (5) and (5b) CRR. It seems to us, that (5b) does not exist, and the reference should be made to paragraph (7). In case this does not mean paragraph 7 and that not all EU exceptions to article 465 paragraphs 3 to 7 should be meant, we would like to point out that this would be disproportionately burdensome to distinguish between individual exemptions and would increase the cost of compliance.*

Template C 13.01 and Template C 14.01
In columns 0940 – 0960 of template C 13.01 as well as in columns 0451 - 0453 of template C 14.01 reference is made to the transitional regulation on securitisation exposures according to Article 465 (5b). In our opinion, the reference should be updated as it still refers to the designation in the so called "4 column documents" used in the trilogue negotiations. In the version that was agreed by the Council of Permanent Representative (COREPER) on 4th December 2023 and by European Parliament's Committee on Economic and Monetary Affairs (ECON) on 6th December 2023 the relevant transitional provisions can be found in Article 465 (7) now.

It should be clarified for which rows in template C 10.00 the transitional provisions according to Article 465 (3) CRR3 are applicable. According to Article 465 (3) CRR3 the transitional provision applies to "exposures to corporates". Taking into consideration the relevant definitions of those exposures under the IRB (Article 147 (2) (c) CRR) or under the SA (Article 122a (1) CRR), this means that the 65 % risk weight is also applicable to specialized lending exposures.

Furthermore, it should be clarified whether the 65 % risk weight is also applicable to exposures to corporates within the exposure class "exposures secured by mortgages on immovable property" (Article 124 CRR3 et seq.). In this exposure class exposures to corporates secured by mortgages on immoveable residential or commercial property that exceed 55 % of the property value shall be risk-weighted as an exposure to the counterparty that is not secured by the respective immovable property (Article 125 (1)(b) or Article 126 (1)(b) respectively). Also, non-IPRE exposures to corporates that exceed the nominal amount of the lien of the property shall be risk weighted as an exposure to the counterparty that is not secured by the immovable property concerned (Article 124 (1) (a) CRR3).

Question 7 – group solvency template C 06.02: Do you identify any issues with the new column 0075 introduced in the group solvency template C 06.02 to report the floor adjustment of group entities subject to own funds requirements?

na

Question 8 – Do you have any other comment on the changes to reporting related to the output floor?

na

Credit risk SA

Question 9 – new subset of exposure classes for exposures "secured by mortgages on immovable property and ADC exposures":

Do you identify any issues related to the introduction of this new subset? Is this proposal clear enough? If you identify any issues, please suggest how to clarify the reporting.

The need, the impact and the definition of the new subset of exposure classes are not clear and leads to disproportionate effort and cost of compliance with no tangible benefits. Exposure classes are defined by the CRR. The consultation paper does not explain why a breakdown beyond the CRR is required and the associated increased utilization is not recognizable.

The impact of the new subset of exposure classes is not clear. The new subset only partly matches to the MEMO Items in C 07.00. Or is the intention to provide a separate C 07.00 for each subclass? This seems not to be the case, because the headline in C 07.00 is "SA Exposure class" and does not make any reference to the new "sub-exposure classes".

Unlike the consultation paper described on page 32 the required split into the sub-exposure classes even for the C 02.00 does produce significant additional costs. It is correct, that the relevant subset would be performed to calculate the RWA. However, this would lead to additional datasets for each single contract which are only necessary for the breakdown in the COREP reporting. From a data management perspective, it would be the performant way to sum up and store the relevant RWA for each individual transaction after the calculation. This is particularly relevant because the CRR3 already multiplies the number of relevant results for each contract/risk position by calculating and storing various other results (TREA, S-TREA, S-TREA Output floor, with and without different transitional provisions). Therefore, the splitting of further sub-results for the COREP reporting should be avoided.

With regard to the reporting the underlying definition of the exposure class "secured by mortgages on immovable property and ADC exposures" should be clarified in the ITS to avoid misinterpretation and achieve comparable reports.

According to section 3.2.4.4., Nr. 71a of the reporting ITS, the exposure class "Secured by mortgages on immovable property and ADC exposures" is seemingly broken down into nine additional sub-exposure classes. This additional breakdown a) contradicts article 112 (i) and thus exceeds the mandate given to EBA in article 430 CRR to develop draft implementing technical standards and b) leads to immensely disproportionate cost and effort. We therefore kindly ask to remove the additional sub-templates.

Furthermore, this very breakdown into standardised approach sub-exposure classes is also demanded within the AIRB template C 08.01. The different sub-categories (IPRE/non-IPRE, residential/commercial as well as secured/unsecured) do not exist within the AIRB regime, due to the usage of internal LGD models for collateral allocation. We therefore also kindly ask to remove the breakdown within the AIRB template.

While article 124 to 126 CRR as well as the corresponding section 3.2.4.4. in the reporting ITS provide guidance on the categorization into the "secured", "unsecured" or "other" sub-classes, there is currently no minimum threshold defined for the corresponding property collateral or any cap for exposures with only a minor additional collateral in form of a property is available. Thus, it seems as if any minor amount of collateral related to immovable property leads to the categorization of the full exposure to a e.g., corporate customer into the exposure class "secured by immovable property". We kindly ask to provide additional guidance to avoid undesired allocation of corporate or retails exposures to the exposure class "Secured by mortgages on immovable property and ADC exposures."

Question 10: Do you have any comment on the other changes included in the C 07.00 template?

Other changes include a separate exposure class for "Corporates – Specialised lending, an "of which" row for exposures to central banks, revised memorandum item rows to align with the breakdown for exposures secured by immovable property, a new column "other" for transitional CCFs for UCC, and a last column to report the impact of transitional provisions on CCFs for UCC.

As equity exposures form a single exposure class, in Annex I in template C 07.00, row 0015 it should read "exposure class" instead of "exposure classes".
Regarding the reporting of the Memorandum Items (rows 0290 – 0340) we suggest sorting the rows by topic and do not mix up "Exposures secured by real estate" with "Exposures in default".

The breakdown within the exposure class "Exposures secured by immovable property" is very detailed. It would reduce reporting costs and burden to scale down this breakdown and only keep a division by IPRE, Commercial Real Estate, Residential Real Estate, Other and ADC.

Question 11: CIUs under the SA approach – Please also refer to question 16 on the reporting of CIU positions and underlying exposures under the IRB:

Do institutions have information readily at their disposal on underlying exposures of CIUs in order to be reported as it is proposed to be done in C 08.01? Would this add substantial reporting costs?

We do not understand this question and its reference to question 16. The reporting of CIUs under the SA approach has not been changed by the ITS consultation. Question 16 is about the mortgage's breakdown in C 08.01. However, question 15 is about the new IRB exposure class of CIU. Therefore, we refer to our answer to question 15.

Credit risk IRB

Question 12 – Large corporates: The additional breakdown on Large corporates was deemed vital in order to guide the correct application of the new rules for such exposures and to cover the information needs on the exposures to SMEs and Large Corporates. However, it implies overlap with the other Corporate exposure classes. Therefore, two options are put forward for respondents to this consultation:

Which option would be preferable taking into account the ready available data and reporting costs? Which one would be more advantageous for data analysis?

We prefer option 1.

Question 13 – IRB retail: Is the breakdown of exposure class 'Retail' clear and unambiguous?

Would an "of which" approach analogous to option 2 described in question 12 but referring to "Secured by immovable property" instead of "Large Corporates" be advantageous for data analysis and preferable taking into account the ready available data and reporting costs?

na

Question 14 – Further question on the corporates breakdown in C 09.02:

Would it be less costly to report the whole breakdown of exposure classes of Article 147 (2) c) CRR3, i.e. including 'Corporates-other' instead of reporting 'of which' items for Specialised Lending exposures and purchased receivables?

na

Question 15 – CIUs according to Article 147 (2) e1) CRR3:

Question 15.1: Is it clear how positions of exposure class CIU (Article 147 (2) e1) CRR3 are to be reflected in the CR-IRB templates (C 08.01 to C 08.07)?

We understand the explanations in the DPM 4.0 draft (option 1) as follows:

CIUs that fall within the scope of the IRBA are reported with DMP 4.0 in C 08.01/02 in a separate reporting form. This is consistent with Article 147 (2) e1), according to which CIUs with CRR3 constitute a separate exposure class. Additionally, the individual fund components are only reported for informational purposes within the original exposure class or subclass in accordance with DPM 4.0. In addition to offering an overview of the fund components, this also creates transparency regarding the breakdown of the individual fund components and avoids double counting. Regrettably, the supplementary explanatory examples regarding IRB CIUs in section 5.1.1. of the consultation paper are only partially helpful in terms of understanding, as they contain some errors: the names of Assumption 6 and 7 appear to be incorrect: Assumption 6 should rather be called "Exposure to a CIU - Look-through approach" like Assumption 1, otherwise neither a disclosure in the memorandum items of the exposure class "Corporates - Other exposure" nor in the exposure class "CIU" of the CR-SA is correct; for Assumption 7, the name appears to be incorrect and should rather be "Exposure to central governments"; accordingly, the disclosure in Z0010/S0020 of the exposure class "CIU" should then also be 450 (150 FBA + 200 LTA + 100 mandate) instead of 400.

The motives for the differentiated disclosure are largely comprehensible to us and, according to our current assessment, do not represent any additional material expense in terms of implementation. Therefore, we can support the proposal.

Question 15.2: Regarding CIU positions whose underlying are securitisations or equity exposures, would it be clearer and easier to report these underlying exposures under the securitisation and equity templates (C 13.01 and C 10.01, respectively)? Inversely, should they be reported under the credit risk templates?

It would not be any clearer if the underlying exposures of CIUs were already reported separately in the IRB credit risk, equity and securitisation templates or, where applicable, the CR-SA ("partial use").

However, considering the introduction of the output floor, the separate disclosure reduces comparability with the SA, where all risk positions in the form of CIUs are recognised in their own risk position class in the CR-SA. A joint disclosure in the credit risk template would increase this comparability and also simplify the processing of the data provided by the KVGs on the underlying exposures, particularly in "partial use", as the values of the underlying exposures calculated by the KVG according to the CR would only have to be transferred to one template. However, this would lead to currently unquantifiable additional implementation costs, which should be avoided due to the tight schedule. As a result, no disclosure should be required in the credit risk templates at the present time.

Question 15.3: If you identify any issues, please suggest how to clarify their treatment in the templates and/or instructions.

na

Question 15.4: Do institutions have information readily at their disposal on underlying exposures of CIUs in order to be reported as it is proposed to be done in C 08.01? Would this add substantial reporting costs? If so, how are those underlying exposures currently reported?

Assuming that the understanding described under 15.1 is correct, we are in favour of the presentation in the familiar C 08.01 structure. The additional expense of a separate reporting form format cannot currently be quantified, as the possible contents are not described in detail.

Question 15.5: Would it add substantial reporting burden for institutions if these exposures would be reported under a separate template where both the CIU positions and the underlying exposures would be reported under the corresponding exposure class? Would this approach be clearer?

na

Question 16 – Question on the mortgages breakdown in C 08.01

Do institutions – in particular the ones applying own LGD estimates – have information readily at their disposal for providing this further split into "secured" and "unsecured". Would this add substantial reporting costs?

In our opinion the integration of the suggested very detailed breakdown of Exposures secured by real estate into the IRB-template C 08.01 (CR IRB 1) would cause substantial reporting costs due to the following reasons:

- *The content of template C 08.01 is only based on IRB calculation methods which differ substantially from the standardized approach. The breakdown of the new rows refers exclusively to the rules of the standardized approach. Furthermore, there are different methods for the allocation of collateral under the IRB and SA and different requirements for the eligibility of collateral. It would therefore be an immense burden to reconcile these two calculation methods.*

- *If this breakdown is mandatory for supervisory purposes, we suggest integrating the breakdown in template C 10.00 which was specifically introduced to provide a view of the IRB portfolio under the calculations of the standardized approach. In this template it would be much less costly to show this breakdown as we are within a template which should be fully populated with figures calculated according to the rules for the standardized approach.*

The required breakdowns present major challenges for institutions, as they would necessitate a comprehensive technical integration of the CR-SA data with the IRBA data and vice versa. Data storage is fundamentally guided by technical requirements, which vary between the two approaches for these topics - especially in the case of own LGD estimation. In the CR-SA, due to the need for calculation in accordance with the loan splitting approach, the data is divided into a secured and an unsecured portion, whereas in the IRBA, the levels of collateralization for the entire exposure are represented through the LGD. For this reason, in addition to the high implementation costs, the informative value of the required breakdowns would also be constrained.

IP Losses

Question 17 – revised instructions for template C 15.00:

The instructions have been updated to align with the legal references with the new articles introduced in Regulation (EU) No 575/2013 for exposures secured by immovable property and the revised [Article 430a] on specific reporting obligations. The instructions have been clarified on certain aspects. The template has been amended to remove the two columns referring to the mortgage lending value. **Are the revised instructions clear enough? If you identify any issues, please suggest how to clarify the reporting.**

With regard to the geographical breakdown by national real estate markets, it should be noted that the breakdown should not only be performed for each EU Member State but also separately for each national real estate market outside the EU. An aggregated breakdown for all national real estate markets outside the EU together does not provide the necessary data and does not fulfil the requirement in the text of Article 430a (1) of the CRR3 draft regulation ('data for each national immovable property market'). This means that the currently formulated aggregated breakdown for all third countries in paragraph 10 (c) of draft Annex VII should be revised so that the data is reported separately for each individual third country (excluding reports of zero values). Moreover, this transparency aids the EBA in the possibility of publishing loss rates for individual third countries in accordance with Article 125/126 (2a) (sub-paragraph 2) of the CRR3 draft.

We suggest amending Article 13 of regulation (EU) 2021/451 so that the IPLOSSES report shall be submitted only at highest level of consolidation within a member state. For calculating the overall loss rates for a single member state which are published on NCA level, the report at highest consolidation level should be sufficient.

Could you please confirm that for the figures in columns 0010, 0030 and 0050 the part above the lower of the pledged amount and 55% / 100% of the property value is excluded?

Could you please clarify if estimated losses should be reported furthermore? Under para. 13 a) of Annex VII the part regarding estimated losses is deleted, while under para. 12 it is maintained.

CVA

Question 18 – revised template C 25.00

Are the reporting template C 25.00 and related instructions clear enough? If you identify any issues, please suggest how to clarify the reporting.

Could you please clarify whether direct exposures to Central Counterparties should be reintegrated as well (direct clearing)? According to Article 382 (3) CRR those direct exposures are exempted but in Annex II only client transactions are mentioned.

Currently a marginal threshold for the CVA relevance of the SFT portfolio is not defined yet. Therefore, we expect, that columns 0060 to 0290 are not mandatory for row 0120. Could you please clarify?

Regarding the reporting of the incurred CVA in column 0040 it is not practicable and would add substantial reporting costs to report all the memorandum items in rows 0040 to 0120. We suggest reporting only one figure of the incurred CVA in row 0010 as it is done currently.

Market risk

Question 19 – Simplified standardized approach, market risk overview in C 02.00 and offsetting group concept in the group solvency templates

a) Did you identify any issues regarding the representation of the (policy) framework regarding the simplified standardized approach, the overall RWEA for market risk and the offsetting group concept in the templates C 02.00, C 06.02 and C 18.00 to C 23.00? Are further amendments necessary to align the reporting with the CRR3?

na

b) Are the amended templates and instructions clear?

na

The boundary between trading book and banking book

Question 20 – Boundary template

a) Did you identify any issues regarding the representation of the (policy) framework for the boundary in templates C 90.05 and C 90.06?

na

b) Are the scope of application of the requirement to report the different templates, the scope of positions/instruments/profits and losses etc. included in the scope of every template, the template itself and the instructions clear? If not, please explain the issues needing clarification, and make a suggestion on how to address them.

General remarks: We question the rationale behind the request for this information in general, particularly in light of the exceptionally high costs anticipated for implementing such reporting frameworks.

The CRR3 already imposes strict and comprehensive rules for distinguishing between banking and trading book items. These regulations, along with other requirements for classifying instruments, are incorporated into internal guidelines and policies. Supervisors can access these on an ad hoc basis, and they are subject to regular audits. Thus, the criteria for classifying new portfolios as either banking or trading book items are clearly defined. Furthermore, classifications of new portfolios are subject to supervisory scrutiny through the NPP as well as regular audits. Factors such as current risk classes and quantitative measures like market value do not influence the distinction between the trading and banking book items, nor do they affect the monitoring of classification criteria.

Therefore, we suggest a pragmatic and proportionate approach to overseeing the categorization of instruments into the banking or trading books, as already outlined in the feedback to Question 7 in the Final Report On The Amending ITS On Specific Reporting Requirements For Market Risk (EBA/ITS/2024/02). According to Article 104 (1) CRR, banks already need to "have in place an independent risk control function which shall evaluate, on an ongoing basis, whether its instruments are being properly assigned to the trading or non-trading book", which can be monitored by supervisors. Additional reporting requirements as envisaged here would therefore provide no additional supervisory value.

Specific remarks:

- *Could you please explain your approach on how the templates C 90.05 and C 90.06 would be mappable to the credit risk templates as the respective methodologies are different?*
- *Could you please clarify the following points regarding template C 90.05:*
    - *Should this template be filled in for each single instrument before netting of positions?*
    - *Can the template also be filled at position level? Some positions are already netted ("Nettopositionsbildung").*
    - *How should the main risk driver be determined? Based on current sensitivities on the reporting date (weighted/unweighted)? Or expert based on portfolio basis or organizational units (for example interest rate options book => interest rate risk driver)? Or based on the instrument type in general?*
    - *Definition of column 0120: Are options included or only those embedded in liabilities?*
    - *Where should interest rate swaps be assigned to?*
    - *What is the priority order between Article 104 CRR and Article 4 (1) 85 & 86 CRR? Should instruments be classified based on Article 4 (1) 85 & 86 CRR first and only what is left is classified based on Article 104 CRR? Or should all instruments be classified based on Article 104 CRR?*
        - *Example: Would instruments, for example those hedging a trading book position according to Article 4(1) 86, that do not fall specifically under Article 104 CRR*

have to be assigned to columns 0160 (and 0170) or would they have to be assigned to column 0140 as instruments with trading purpose?

- *How is the market value of a derivative determined for the purpose of this template?*
- *Should the sum of the columns 0050 to 0140 result in column 0040?*
- *In our opinion it is not possible to generate an automatic transition from instruments´ main risk driver to the Article 104-subsections, could you elaborate on that?*
- *Definition of column 0150: According to Article 104 (5) supervisory authorities can require institutions to provide evidence to justify reclassifications based on paragraph 2, points (a), (b) or (c). Would instruments for whom such evidence is provided have to be reported in this column (even though they are not in hedge funds)? Or would they have to be reported as "Other instruments" (0160)?*

- *Could you please clarify the following point regarding template C 90.06?*
  - *Columns 0030 and 0040 have the heading "subject to commodities risk", is that correct?*

Could you please confirm that all market values are summed up as absolute values? Or do we net the market values within the columns? Long bond and long swap can have market values with opposite sign.

Leverage ratio

Question 21: Do you agree with the changes to the Leverage ratio reporting as implementing the new CRR3 provisions? Do you see any further amendments needed?

- *C 47.00 row 0500: It is completely unclear which exposure amount should be reported in row 500 of C 47.00. Article 3 CRR stipulates that institutions are not prevented from increasing their own funds and their components in excess of the minimum requirements. There is no reference to the leverage ratio requirements in Article 3 and is not provided for in the CRR3. As a result, the new row 500 should be deleted.*
- *New paragraph 429a (1) ca) as to be reported in C 47.00, row 0251a: The reference in the instructions to "and where the competent authorities have given their approval" should be deleted. This requirement goes beyond the legal requirement in Article 429a (1) point ca CRR3. No official approval is required for the deduction.*
- *C 47.00 rows 0280, 0300, 0320, 0340: The reporting requirements corresponding to the transition period in accordance with Article 499 CRR have become obsolete and can be cancelled since it ended on 31th December 2021.*
- *In general, we see no legal basis for maintaining templates C 40.00 and C 43.00. These templates were introduced for the reporting of data required for the preparation of the report under Article 511 of the CRR. The EBA has already submitted this report in 2016. As the retention of data reports that are no longer required for supervisory purposes is unduly burdensome for institutions, we advocate the removal of both templates.*