



Discussion paper on Draft ITSs implementing CRR3 changes to Supervisory Reporting

Public hearing - 23rd January 2023



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Welcome and introduction

1. Welcome and introduction: Objectives of the public hearing and CRR3 roadmap

Objectives of the Public Hearing

- Introduce the: [CP on draft ITS amending Commission Implementing Regulation \(EU\) 2021/451 on supervisory reporting](#) under consultation **until 14 March** and main aspects on which feedback would be welcomed. Presentation of the planned next steps.
- Opportunity to discuss questions from participants and provide clarifications needed to respond to the consultation.
- Collection of early feedback to be considered in the next phases of the project. To note, the public hearing does not replace written responses to the Discussion Paper.

EBA CRR3 Roadmap

[EBA Roadmap on Strengthening the Prudential Framework](#)

Phase 1 - Step 1: changes necessary to implement and monitor Basel III requirements in the EU - Publication of the CP on 14 December 2023

- Output floor, credit risk, market risk and CVA, leverage ratio. Operational risk to be consulted in January/February 2024 with policy products.

Phase 1 - Step 2: changes not directly linked to Basel III implementation - CPs expected by end of 2024 or during 2025:

- ESG risk, Benchmarking, other changes in Corep.
- Reporting by Third Country Branches, IPU reporting, reporting on exposures to crypto-assets

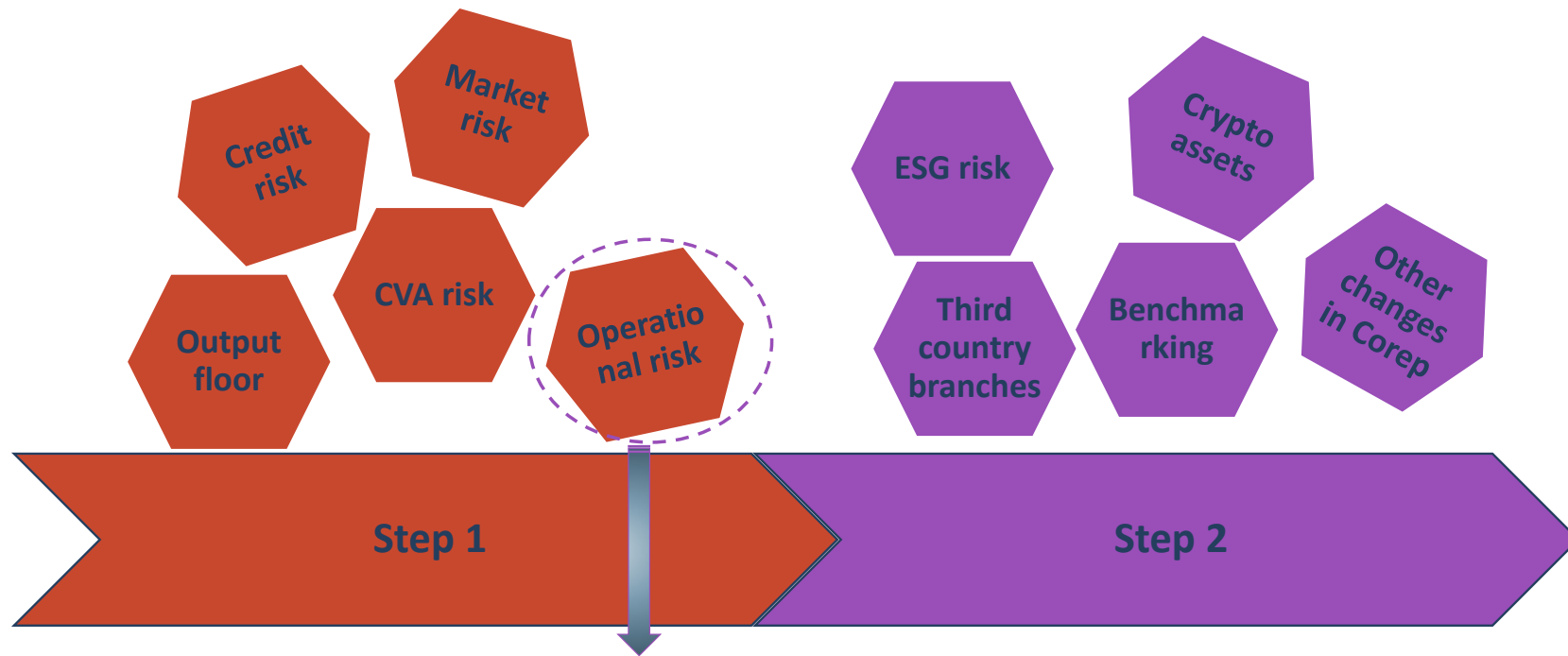
1. Welcome and introduction: Background 1/2

- The CP is based on the text of the [Provisional agreement reached on the implementation of Basel III reforms](#) published on the Council's website on 6 December 2023
- The banking package will implement the latest Basel III reforms with the application date of 1 January 2025.
- Alignment between Pillar 3 disclosure and reporting requirements – mapping tool
- Proportionality: the proposed changes to implement the new banking package aim at allowing supervisors to obtain the strictly necessary information to monitor the new prudential requirements proposals.
- New adoption process as per Article 430 paragraph 7, subparagraph 1 as amended by the CRR 3: ITS on supervisory reporting will be published in the official journal, templates and instructions will be published on the EBA website as part of the ITS-related IT tools.

1. Welcome and introduction: Background 2/2

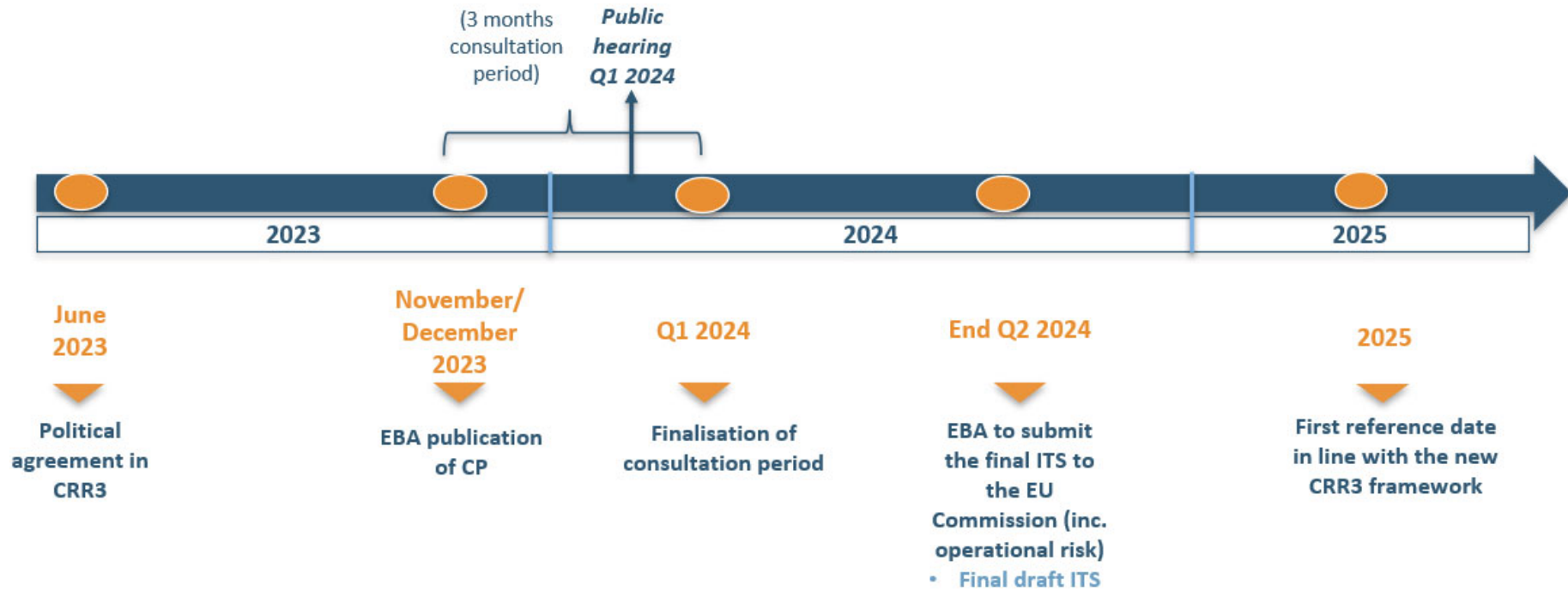
First step:
Publication of the CP on 14 December 2023

Second Step:
CP expected by the end of 2024



Consultation postponed to
January/February 2024

1. Welcome and introduction: Timeline





02

Draft ITS implementing CRR3 changes to supervisory reporting

2.1 Overview of the proposed changes

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Lower limit to the OFRs that are calculated based on institutions' internal models to 72.5% of the OFRs that would apply if standardised approaches were used

Draft CRR 3 – Output floor

Amended/new templates

$$TREA = \max\{U-TREA; x \cdot S-TREA\}$$

TREA = the total risk exposure amount

U-TREA = the un-floored total risk exposure amount

S-TREA = the standardised total risk exposure amount of the entity

$x = 72,5 \%$

Scope of application: all levels of consolidation (Member States can decide otherwise if certain criteria are met)

Transitional provisions (Article 465 CRR3):

- ✓ $X=50\%$ -> 72.5% by 1/1/2030
- ✓ Cap: 125% of U-TREA until 31/12/2029
- ✓ Calculation of S-TREA (not in Basel III):
 - CCR ($\alpha=1$) until 31/12/2029.
 - Preferential RW for exposures secured by mortgages and unrated corporates until 31/12/2032

- To highlight **impact of output floor on capital ratios and capital levels** (C 03.00)
 - Capital ratios: unfloored, without application of **transitional provisions**, TSCR without cap.
 - Floor adjustments: before/after transitional cap, fully-loaded (04.00)
 - TREA pre-floor (C 02.00)
- To compare TREA calculated using internally modelled approaches and standardised approaches at total risk level and asset class level for credit risk:
 - TREA and S-TREA, columns in OWN FUNDS REQUIREMENTS (C 02.00)
 - **NEW TEMPLATE 10.00** - CREDIT AND COUNTERPARTY CREDIT RISKS AND FREE DELIVERIES: IRB EXPOSURES SUBJECT TO OUTPUT FLOOR: **Streamlined CR SA template, including the impact of transitional provisions on S-TREA.**
- To identify impact of output floor on TREA at the level of group entities subject to own funds requirements - GROUP SOLVENCY: INFORMATION ON AFFILIATES (GS – C 06.02)
- To show the amount of S-TREA in templates including exposures subject to internally modelled approaches: securitisation (C 13.01, C 14.01) and CCR (C 34.02.)

2.1 Overview of the proposed changes

2/5

Draft CRR 3 – Credit risk SA

Amended/new templates

Increased risk sensitivity and **more granular approaches**

- Changes in exposure classes / risk weights / CCFs / some transitional provisions (CCFs)
- More granular approach for exposures secured by immovable property and ADC exposures, in particular separate treatment for immovable property real estate (IPRE), non-IPRE, and for specialised lending exposures.

- **New subsets in the exposure classes “Exposures secured by immovable property” and “Corporates”,** to get the full set of data in the CR SA template for these subsets of exposures (CRM, CCF, RWs) :
 - **Exposures secured by immovable property:** split by Residential/commercial exposures, IPRE/non IPRE, secured/unsecured (risk weighted as not secured by immovable property).
 - **Exposure class Corporate:** new subset: Corporate – specialised lending
- **Changes** in other exposure classes / risk weights / CCFs / some transitional provisions (CCFs)
- **New or amended templates:** OFR - C 02.00, CRSA (C 07.00), CR GB (C 09.01)
- **IP Losses C 15.00:** minor changes and clarifications

2.1 Overview of the proposed changes

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Draft CRR 3 – Credit risk IRB

Amended/new templates

Limited use of advanced modelling approaches and new exposure classes:

- Regional Governments and Local Authorities (RGLAs) and Public Sector Entities (PSEs) as a separate exposure class from Central governments and central banks, in F-IRB and a-IRB.
- New exposure class on Corporates - Purchased receivables, in F-IRB and a-IRB.
- Separate treatment for large corporates in the Corporates exposure class, in F-IRB.
- Institutions no longer treated under the A-IRB approach
- Retail: purchased receivables, exposures secured by real estate (Retail - Secured by residential real estate) under the A-IRB approach.
- New exposure class on collective investment undertakings (CIUs)
- Changes in CRM / CCFs / some transitional provisions (equity)

- **New subsets in the exposure class Corporates and retail, to get the full set of data in the CR IRB templates for these exposures (CRM, CCF, RWs) :**
 - New sub-exposure class in Corporates F-IRB for Large corporates
 - More detailed reporting of exposures secured by real estate: “of which: exposures secured by commercial real estate, as no longer captured due to the change in Article 147(2) CRR3.
- Inclusion of new exposure classes: RGLAs and PSEs, purchased receivables, CIUs.
- Alignment for **CIUs** of the IRB template with the SA template : **split by method** (like in CR SA) added.
- **Changes** in instructions on CRM
- **New or amended templates:** C 02.00, C 08.01, C 08.02, C 08.03, C 08.05, C 08.05.1, C 08.07 and C 09.02
- **IP Losses** C 15.00: minor changes and clarifications

2.1 Overview of the proposed changes

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Draft CRR 3 – Market risk & CVA

CVA: 3 new approaches (simplified, basic, standardised)

- Full revision of C 25.00 to reflect the new approaches
- Mandatory reporting of own funds requirements calculations for excluded transactions
- Reporting of the discretion to calculate own funds requirements also for excluded transactions, where institution uses eligible hedges

Market risk :

- Standardised approach for market risk ('simplified standardised approach') : multiplication factors introduced in Article 325(2) CRR3
- FRTB: C 24.00 to be deleted

Amended/new templates

CVA: Changes to C 25.00 to reflect:

- The **3 new approaches** (simplified, basic, standardised), the Simplified treatment for derivative positions of CIU (shown as a separate approach)
- The **marginal impact of reintegration of excluded transactions**
- The **exempted transactions that institutions choose to reintegrate in the calculation of own funds requirements**

Market risk :

- Templates C 18.00, C 21.00, C 22.00, C 23.00: column added: "Own funds requirements before application of scaling factors".
- FRTB: C 24.00 to be deleted

2.1 Overview of the proposed changes

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Draft CRR 3 – Other changes

Amended/new templates

The boundary btw trading book and banking book:

- CRR2 also introduced, and the CRR3 modifies, the revised framework for allocating positions to the trading book and non-trading book (banking book)
- Need to include a template dedicated to the composition of the trading book and the banking book to monitor the allocation of positions

Leverage ratio:

- Minor updates in CRR3
- Exclusions from the exposure measure
- Impact of changes in the credit risk framework

The boundary btw trading book and banking book:

- To monitor the correct application of the boundary rules, templates C 90.5 (trading book) and C 90.6 (banking book) are introduced
- Data requested only from institutions that apply the FRTB on a mandatory basis or the simplified standardised approach

Leverage ratio:

- To align with CRR3, template C 47.00 is amended

2.3 Overview of some of the questions for consultation

1/3

Output floor

Question 5 – separate template C10.00 – 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 (CR IRB) to directly compare between capital requirements determined by the IRB approach and the SA?

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?

Question 7 – group solvency template C06.02: Do you identify any issues with the new column 0075 introduced in the group solvency template C06.02 to report the floor adjustment of group entities subject to own funds requirements?

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

2.3 Overview of some of the questions for consultation

2/3

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?

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

Credit risk - IRB

Question 12 – Large corporates: The Large corporates breakdown implies overlap with the other Corporate exposure classes. Therefore, two options are put forward for respondents to this consultation:

- Option 1: Current proposal in templates and instructions, with a decision tree
- Option 2: To have “Large Corporates” and “SMEs” as of which items, to avoid overlap

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 Art. 147 (2) c) CRR3, i.e. including ‘Corporates-other’ instead of reporting ‘of which’ items for Specialised Lending exposures and purchased receivables?

2.3 Overview of some of the questions for consultation

3/3

Credit risk - CIUs

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

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

Question 16 – Question on the mortgages breakdown in C 08.01 (CR IRB): Breakdown for non-IPRE exposures into “secured” and “unsecured” (risk weighted as not secured by immovable property) to further align reporting for SA and IRB exposures. 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?

Q&As



Thank you!



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