

30. Are the templates, related instructions and validation rules included in Annex I and Annex II sufficiently clear? Please provide concrete examples where the implementation instructions are not clear to you.

We have identified a number of areas where the template guidance and related instructions in Annex I and Annex II are not sufficiently clear and will require clarification. We list our queries below.

Capital Adequacy

CA5 Table 3: Grandfathered instruments: Instruments not constituting State aid

Please confirm if the total amount of ‘instruments not constituting state aid’ is required to be reported in this table, or if each instrument is required to be reported individually.

CR-SA and CR-IRB

1. Counterparty credit risk (CCR)/Non counterparty credit risk (NCCR)

The CR SA and CR IRB templates require CCR and NCCR data to be reported together. We believe it is neither efficient nor meaningful to merge CCR and NCCR data, considering CCR data is expected to continue to diverge from NCCR (for example, towards a full value at risk (VAR) calculation).

We strongly recommend that CCR and NCCR data are reported on separate COREP templates, in line with current FSA reporting. This would provide operational benefits, as separate CCR COREP templates align with our separate NCCR and CCR calculation processes. To this end, we suggest that a new set of templates is implemented to separately report CCR data.

2. Credit risk mitigation reported within CR SA and CR IRB templates

Please confirm the value of the credit risk mitigants that should be reported within these templates. Should the full value of the collateral be reported or, in cases where exposures are over-collateralised, the amount utilised in RWA calculations?

For example, if an institution has an exposure of 100 which is collateralised by a mitigant of 130, do we report 100 (amount used in the calculation of RWA) or 130 (full credit risk mitigation available)?

3. Column 010: Original exposure

The instructions for column 010 in Annex II state:

“...In the case of master netting agreements covering repurchase transactions and / or securities or commodities lending or borrowing transactions and/ or other capital market driven transactions subject to part 3 title II chapter 6 of CRR, the effect of Funded Credit Protection in the form of master netting agreements as under Article 215 (4) of CRR shall be included in column 010. Therefore, in the case of master netting agreements covering repurchase transactions subject to the provisions in part 3 title II chapter 6 of CRR, E as calculated under Articles 215 and 216 of CRR shall be reported in column 010 of the CR SA template. “*



Please confirm if credit support annexes (CSAs) to ISDAs are equivalent to master netting agreements and may be reported 'net' in the original exposure cell, i.e. column 010 (CR-SA) and column 030 (CR-IRB) are reported after master netting agreements and CSAs. We believe CSAs are equivalent to ISDAs and should be reported net in the original exposure pre conversion factors column.

If this is not the case, please confirm how internal model method (IMM) exposures should be reported, as netting and collateral are not separable in our IMM calculations.

4. Reporting of netted (current account related) exposures

Within corporate lending and in some markets, there exists a particular type of netting applicable to balances on current accounts, both debit and credit.

Some large corporate clients require their business to be managed on a net basis, for example a large supermarket chain with many semi-autonomous operations. The customer agrees with the bank that its various current accounts will always be managed within a given aggregate limit with the intention that, should it be required, the accounts would be settled on that netted basis. The arrangement is supported by a facility limit and other documentation to ensure the arrangement is legally binding.

The exposures to these customers are modelled on a net basis and any undrawn balance is calculated as the difference between the net balance and the customer's limit. Exposure limits will almost certainly be set lower than the aggregate gross asset exposure balance because of the off-setting liability balances that will exist.

In this particular business context, it would be difficult to populate or provide meaningful information on the COREP CR returns if the original exposure were reported gross, i.e. without this specific type of netting.

We propose to reflect this type of netting in the original exposure value and request the EBA to confirm they agree with the suggested treatment.

CR-SA

1. Reporting credit risk mitigation techniques with substitution effects

Section 3.1.1 paragraph 50 of Annex II requires clarification as the ITS does not cover instances where obligors and protection providers are reported in different exposure classes and approaches:

“Reporting of exposures to obligors and protection providers which are assigned to the same exposure class. It is assumed that an exposure is assigned to an exposure class. This exposure is secured by collateral, the CRM effect of which is calculated by recognition of the substitution effect. An exposure of the protection provider of the collateral is assigned to the same exposure class of the secured exposure. In this case the inflow as well as the outflow belongs to the same exposure class”.

For example, a corporate exposure is supported by a guarantee provided by an institution. The corporate exposure is treated under the standardised approach, whilst the institution exposure is accounted for under the IRB-A approach. Please confirm where the covered part (outflow) of the corporate exposure should be reported, i.e.:

- under the IRB-A approach, within the exposure class 'institutions'; or
- under the standardised approach, within the exposure class 'institutions'.

This example illustrates cross-approach mitigation, on which the ITS is silent. We request the EBA to provide illustrative examples and clear guidance on how to address these scenarios.

2. Breakdown of exposure by risk weights – ‘of which’ analyses

The CR SA Details and Total templates require the ‘breakdown of exposure by risk weights’ to have, where relevant, the following ‘of which’ analyses: ‘with credit assessment by a nominated ECAI’ and ‘with a credit assessment derived from central government’.

The list of nominated ECAI risk weights in part 3 title II chapter 2 of the CRR does not include 35%, 70% or ‘other risk weights’ as defined in the CR SA templates. We believe the ‘of which’ analysis is not relevant for these specific risk weights and these rows should therefore be deleted.

3. Row 280: inconsistency in reporting requirements between CR SA Total and Details templates

CR SA Totals requires row 280 to show ‘of which: *with* a credit assessment by a nominated ECAI’, whereas CR SA Details requires row 280 to show ‘of which: *without* a credit assessment by a nominated ECAI’. This will result in an inconsistent approach to reporting the same data between templates. We believe this is a typographical error that needs to be corrected.

4. CR SA Total – Breakdown of Exposures by Risk Weights

The additional columns 220 to 490 ‘breakdown of exposure values by risk weight’ supply additional information for rows 380 to 550 ‘breakdown of total exposures by exposure class’. This expands the template unnecessarily, as this information is available elsewhere on the template. C010 Total Exposures and C020 to C100 breakdown of total exposures by exposure types can be derived from R110 to R371 ‘breakdown of total exposures by risk weights’. We suggest the duplication be removed.

5. Column 040 Exposure net of value adjustments and provisions

Given: $040 = 010 + 030 - 020$

Reason: We do not understand the intention of this validation. As illustrated below, column 020 is not consistently restricted across the template (e.g. C020/R020) and may therefore give rise to inconsistent and/or incorrect reporting.

Assuming that R010 = R020 in the example below, the above formula gives 2 different results for the same data. C040/R010 subtracts C010/R010 and C030/R010 to give a net exposure of 80, whereas C040/R020 subtracts C020/R020 and C030/R020 from C010/R020 to give a net exposure of 50. We believe that the result for C040/R020 is incorrect as it double counts the effect of C020/R020 (the ‘of which’ analysis capturing the default fund contributions). Please confirm if our understanding is correct.

		ORIGINAL EXPOSURE PRE CONVERSION FACTORS		(-) VALUE ADJUSTMENTS AND PROVISIONS ASSOCIATED WITH THE ORIGINAL EXPOSURE	EXPOSURE NET OF VALUE ADJUSTMENTS AND PROVISIONS
		010	OF WHICH: ARISING FROM DEFAULT FUND CONTRIBUTIONS 020		
010	TOTAL EXPOSURES	100		(20)	80
BREAKDOWN OF TOTAL EXPOSURES BY EXPOSURE TYPES:					
020	On balance sheet exposures subject to credit risk	100	30	(20)	50
030	Off balance sheet exposures subject to credit risk				

CR-IRB

1. Column 140: Guarantees

We have identified typographical errors in column 040 of 3.3.a CR IRB reference list, which should only reference guarantees. Please see correction below.

When own estimates of LGD are used: Article 179 of CRR, except paragraph 3. The nominal amount of the ~~credit derivative~~ guarantees should be reported.

~~Credit derivatives~~ Guarantees will be reported in column ~~050~~ 040 when the adjustment is not made in the LGD. When the adjustment is made in the LGD column ~~150~~ 140 shall be used.

Please confirm if our understanding is correct.

2. Column 280: Number of obligors

We would like to understand the purpose of gathering this information and the benefits supervisors will derive from receiving this data.

The reporting requirements for ‘retail’ as per the ITS below is unclear:

“...Within the exposure class retail the institution should report the number of exposures which were separately assigned to a certain rating grade or pool. In case Article 168 (1) point e) of CRR applies, an obligor may be considered in more than one grade...”

Article 168 (1) point e) of the CRR is applicable to corporates, institutions, and central governments and central banks, and states that an obligor may be considered in more than one grade. The first sentence of the ITS, relating to retail exposures, and Article 168 (2) of the CRR



states that each retail exposure shall be assigned to a grade or a pool as part of the credit approval process.

We believe retail exposures should be reported in accordance with Article 168 (2) of the CRR and that the reference to Article 168(1) point e) of the CRR was included in error. Please confirm if our understanding is correct.

3. Column 290: Total number of counterparties

We would like to understand how this information will be used and the benefit the supervisors will gain from receiving this information, in addition to the data provided for the number of obligors.

No legal reference, comment or regulation has been provided in 3.3a CR IRB Ref list for this column. Please provide guidance for this column.

CR-SEC SA and CR-SEC IRB

Column 010 Total amount of securitisations on exposures originated

The general remarks relating to these templates state that they should be completed for all the roles an institution will play in a securitisation (originator, sponsor and investor). The instructions provided for column 010 state that only originator institutions must report all current securitisation exposures originated in the securitisation transaction, irrespective of who holds the positions.

Please confirm if exposures in which institutions act as sponsor or investor should also be reported in this column.

CR SEC IRB

Rows 430 – 540 Breakdown of outstanding positions according to CQS at inception

Reporting the data required in these fields will be more onerous for an investor than for originators or sponsors. Additionally, requiring CQS at inception is only valid when an institution is acting as the originator or sponsor. As an investor one might have bought the note when it was rated CCC (formerly AAA) knowing that the next interest payment would result in a profit.

CR SEC DETAILS

1. Column 020 - Identifier of the securitisation

The guidance states that the ISIN code should be reported. Please note that ISIN usually refers to a tranche and does not identify the full securitisation deal. We request clarification as to what should be reported in this column.

2. Column 180 - Number of exposures

Identifying the number of exposures will be an onerous task which will add little value, as in many cases the number will not be static as exposures may flow in and out of the securitisation pool, depending on whether the exposures satisfy the criteria for inclusion.

To avoid the need to populate exact numbers of obligors when it may not be practical to do so, we recommend that obligor bandings are introduced in this column. For example, a 'Retail' banding



would refer to securitisations where retail exposures exceed 100 and 'Non-granular' would refer to securitisations where the number of exposures is less than 6.

3. **Column 190 Country of original exposures**
Column 290 First foreseeable termination date
Column 300 Legal final maturity date

Our systems are not calibrated to capture the requested information in a simple manner. It will be challenging to obtain the information for positions we hold as investors. This information is more readily available for originators and sponsors.

We request that legal maturity and foreseeable termination date are only reported if relevant, as very few securitisations will reach their legal maturity date, which is usually much longer dated than that of the assets in the vehicles pool.

MKR SA

We note from the public hearing that the EBA intend to use materiality thresholds for market risk (slide 13).

Our recommendation is to apply materiality thresholds to both individual risk type and to total MKR SA exposures. We suggest a threshold of 1% for risk type and 5% for total MKR SA exposures relative to overall total market risk (sum of MKR SA and MKR IM) – with full COREP requirements to be submitted only when exposures exceed these limits. If the thresholds are not exceeded, we suggest that only totals are reported.

MKR IM

1. Equities – General Risk and Specific Risk

Our approved VAR models do not split Equity VAR by general and specific risk; therefore we are only have the ability to report Equity VAR at a total level. In light of this, we ask the EBA to allow row 070 (Equities) to be populated without the breakdown in rows 080 (equities – general risk) to 110 (equities – specific risk) being mandatory.

2. Columns 30, 50 and 150 - VAR Multiplication Factor

Please confirm how these fields should be reported where there is more than one VAR model involved.

3. Derivatives and other assets/liabilities (rows 040, 050, 090, 100) split by long/short positions (columns 020 and 021)

Our systems are not structured to provide the information requested in these eight fields; in particular, the split between derivatives and on-balance sheet products. To do so would involve very significant system development costs. We request the EBA to provide clarification on the purpose and usage of this data to enable us to determine whether we have alternative data available to meet the EBA's objectives.

4. Column 50 – Stressed VAR

Stressed VAR is calculated as a 12 week average, therefore the description of column 50 should be amended from 'Multiplication factor (ms) x Average of previous **60 working days** (SVARavg) to '...previous **12 weeks**...'

**1. Column 010 Sum of losses stemming from lending up to reference percentages
Column 050 Sum of overall losses**

ITS column 050 *'This column collects all losses stemming from lending collateralised by residential property or by commercial immovable property in any given year are reported'*.

Please confirm if both these columns report the losses accounted for in the institution's financial or calendar year.

2. Column 040 Sum of losses stemming from lending up to reference percentages: of which IRB exposures

We would like to understand the rationale for reporting losses according to reference percentages under the IRB approach when the risk weighted exposure amounts are not calculated on the same basis. We note that reference percentages are only applicable to the standardised approach for risk weighted exposure amounts.

3. Column 070 and 080 Sum of overall losses: of which SA and IRB exposures

Similarly to the above, we would like to understand the purpose of reporting overall losses under both the standardised and IRB approach where the risk weighted exposure amount is calculated based on reference percentages which would not appear to be relevant for the IRB approach.

4. Columns 090 to 110 Definition for SA exposures and IRB exposures

Legal references and comments or ITS instructions do not clarify which exposure value is to be reported in columns 090 to 110. Should we report:

- original exposure pre conversion factors (e.g. column 030 in CR IRB template); or
- exposure value (e.g. column 110 in CR IRB template)?

5. Row 010 Residential property and row 020 Commercial immovable property

The template instructions reference Article 96 (1)(a) and (b) of the CRR for the sum of losses from lending up to the reference percentages. However, the CRR does not define the meaning of 'collateralised by residential or commercial immovable property' and we would welcome clarity in this area. Please confirm whether the collateral to be reported is:

- under the standardised approach, the amount of the loan up to the reference percentage (i.e. 80% of the market value or mortgage lending value for residential property, or 50% of the market value or 60% of the mortgage lending value for commercial property) reported; or
- under the IRB-A approach, the portion of the mortgage used in the RWA calculation, or the full amount of the collateral in cases where the loan is over-collateralised.



6. Definition of losses

Article 28(22) of the CRR states that 'loss, for the purposes of Part Three, Title II, means economic loss, including material discount effects, and material direct and indirect costs associated with collecting on the instrument'.

It is unclear from the above definition as to how losses should be reported and we would welcome further guidance. Please clarify what is meant by 'economic loss'. Does this accord with the definition of loss in Article 4 of the draft CRR? Also, would this include provisions and write downs?