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Finance for Europe

Association for Financial Markets in Europe

AFME Response:

EBA Consultation on Draft Implementing Standards on public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No. 575/2013

January 2020

Overarching/General comments:

- The inclusion of internal cross validations within and between templates would be useful.
- The units required for disclosures, amounts in thousands and percentages with four decimals, are too precise and are unlikely to be useful. Analysts do not look at this level of detail and this will not assist the support of written comments and tables with many figures are unlikely to be clear.
- Article 20 of the draft ITS should also include confirmation that where columns and rows are unpopulated they can be removed from the disclosure, notwithstanding paragraphs 1 and 2.
- Article 20.1 refers to relevant EBA guidelines. Which are these as the intention of this draft ITS is to consolidate previous technical standards and guidelines into a single new document, section 3 paragraph 4 of the consultation.
- The relationship between the own funds requirement (capital charge) and RWEA of 8% should be stated.
- In relation to the requirements of Article 434 for the disclosure of information in a single medium or location, it would be helpful if the ITS specifically confirmed that firms can signpost/refer to other disclosure documents as needed such as the annual report and accounts.
- The primary tool for measuring market risk is Value at Risk (VaR), which is a statistical risk method that quantifies a portfolios potential loss as well as the probability of that potential loss. This probable potential loss is what is used to calculate the regulatory capital charge, rather than an exposure as used for credit risk reporting. The Guidance provided in 'Annex 6 – Disclosure of the scope of application' references 'Title IV: Market Risk' of the CRR but provides no further instruction on how an exposure would be produced for market risk purposes.
- It appears that the exemption of central bank exposures has been excluded from the 'Excluded exposure' section of the relevant leverage ratio disclosure template. It is not clear whether this is the intention that institutions do not directly disclose the central bank cash exemption.
- In terms of the NSFR, we would note that template EU LIQ2 would require firms to disclose the NSFR as of a particular date. In the meantime, we are cognizant of the move towards the disclosure of other regulatory ratios, including the LCR, Asset Encumbrance and Leverage Ratio, on an average basis. The use of spot disclosure may send negative signal to the market at time of stress and potentially create systemic issues that NSFR is expected to mitigate in the first place. We would seek clarity from the EBA as to whether the disclosure of the NSFR is likely to remain on a spot basis or whether a form of averaging quarter-end figures might be considered preferred as it would align with other regulatory

ratios. We recognise that there are both arguments for disclosure to remain on a spot basis and for the introduction of an average measurement. Consistent with LCR disclosure, where LCR Disclosure became effective after a reasonable time lag post the implementation of the delegated act, we would suggest also that the disclosure requirements in relation to the NSFR are postponed by a year to allow firms to fully understand the metric and to implement the necessary internal governance frameworks.

- The instructions for EU CR3 imply that the CRM techniques to be recognised are those under accounting rules rather than those under the CRR, and in fact the mapping tables link to FINREP. This appears contrary to the eligible credit protection which can be applied under the CRR.

- In its earlier guideline "Report on the Guidelines on Disclosure Requirements under Part Eight of Regulation (EU) No 575/2013" ("EBA Guideline", EBA/GL/2016/11, version 2*)" EBA has introduced a definition for a comparison period following the specific frequency of a disclosure – referring to page 35, #19 ("each template […] should have its quantitative information supplemented with a narrative commentary to explain (at a minimum) any significant changes between reporting periods"). This results in the fact that we have different comparison periods in a given Pillar 3 Report, e.g. for a yearend report some of our analysis and commentary refers to Q4 (for quarterly tables), some other refers to H2 (for semi-annual tables) and some refers to year-on-year (for annual tables), which means inconsistent ways of analysing and commenting observed movements and creates additional confusion. This is all opposed to prior principle industry practice where always a "year to date" view is used to consistently present significant changes.

- In the new ITS this general rule of defining the comparison period is not explicitly stated but implicitly still defined by templates and their deviating reporting frequencies. In order to deliver a consistent view on reporting periods and movements between periods, we strongly recommend to keep the guidance of the frequency of the templates but to not combine this with the definition of the prior period. For the definition of a reporting or comparison period the "year-to-date" concept (i.e. prior yearend) should be defined consistently.

- We have found the mapping of the reporting requirements to the disclosure requirements a very useful document and commend the EBA for producing this, however, we have identified several errors in the mapping tables. In the process of preparing this response, we have not validated the mapping tables and, as such, there may be other errors that we have not identified. We would expect the EBA to perform its own validation of the mapping tables.

Answers to the consultation and focus on specific templates

- Please refer to table over the coming pages

Questions	Draft points
5.3.1 Disclosure of key metrics and overview of risk-weighted exposure amounts	
Question 1: Are the instructions, tables and templates clear to the respondents?	EU OV1 It is not clear in which row to include 'Amounts below the thresholds for deduction (subject to 250% risk weight)'.
Question 2: Do the respondents identify any discrepancies between these tables, templates and instructions and the calculation of the requirements set out in the underlying regulation?	Template EU KM1 - Inconsistencies between CRR2 and Template EU KM1: There is an inconsistency between the CRR delegated regulation (2019/876) and what has been incorporated in Annex 1 Disclosure of key metrics and overview of Risk-weighted exposure amounts, specifically EU KM1. The CRR2 introduces a new requirement in terms of Liquidity Coverage Disclosure (LCR) which clearly states that firms must disclose liquidity outflows and inflows; this was not a previous requirement. Although the text in the CRR2 has been updated, as highlighted in Article 447 below, there is no inclusion in the EU KM1 template of the ''average of outflows and average of inflows'' based on end of the month observations over the preceding 12 months for each quarter of the relevant disclosure period. Furthermore, in Annex 2 which are the instructions on how to disclose the template, there is nothing highlighting that inflows and outflows need to be disclosed. Template EU KM1_- This line 12 'CET1 available after meeting the total SREP own funds requirements (%)' is not clear. . The wording seems to refer to the CET1 available after meeting all requirements including P2R.

	However it is also mapped with COREP CO3 that refers to 'Tier 1 shortfall' which is not recognised/ required by CRR2 (in either articles related to own funds or article 447 on disclosures). Hence we propose removing line 12 both for clarity for investors purposes and for consistency with COREP.
Question 3: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?	-
Question 4: In particular, and regarding the disclosure on Pillar 2 requirements for leverage ratio, do respondents agree that the new draft ITS fits the purpose of the underlying regulation?	-
5.3.2 Disclosure of risk management objectives and policies	
Question 5: Are the instructions, tables and templates clear to the respondents?	-
Question 6: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?	-
Question 7: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?	-
5.3.3 Disclosure of the scope of application	
Question 8: Are the instructions, tables and templates clear to the respondents?	-
Question 9: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?	-
Question 10: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?	We suggest that the column f 'Items subject to Market Risk Framework' is removed from Template EU LI1. A market risk exposure is not a concept used when calculating the regulatory capital charge applicable to positions subject to market risk. The primary measure for measuring market risk uses a Value at Risk (VaR) method, which is a statistical risk method that quantifies a portfolios potential loss as well as the probability of that potential loss. This probable potential loss is what is used to calculate the regulatory capital charge, rather than an exposure as used for credit risk reporting. The guidance provided in "Annex 6 – Disclosure of the scope of application" references "Title IV: Market Risk" of the CRR but provides

	no further instruction on how an exposure would be produced for market risk purposes (detailed guidance is provided for Credit Risk). Therefore, even if a method were to be prescribed it would not represent a true component metric of an institutions market risk and raises an issue as to whether disclosing such information would be potentially misleading to stakeholders.
Question 11: Rows in template EU LI1 are flexible as they are based on the published financial statements. Do the respondents see any way to provide higher standardisation to the rows of this template without deviating from the requirement that it should be based on the published financial statements?	It should be flexible as it varies across institutions as per published financial statements.
Question 12: Regarding template EU LI2, do the respondents agree that the information to be disclosed in row 4 should be pre-CCF and that the information to be disclosed in row 12 should be post-CRM?	-
Question 13: Regarding template EU PV1, could the respondents provide their view on how should institutions under the simplified approach should provide the disclosures required?	-EU PV1 Four new columns are not required by CRR2 (EU e1, EUe2, EU f1 and EU f2). In addition, the required information is very sensitive. Finally, this disclosure, as not requested by BCBS, creates an uneven playing field with other jurisdictions. Hence, we strongly support the removal of these 4 columns
5.3.4 Disclosure of own funds	
Question 14: Are the instructions, tables and templates clear to the respondents?	EU CCA Row 3a on enforceability: the Basel disclosure standards as well as paragraph 45 of Section 3 of the consultation state that this row should scope only eligible liabilities. However, when reading the instructions, this make reference to AT1, Tier 2 and eligible liabilities. This row should be dedicated only to providing a yes or no answer on whether eligible liabilities instruments subject to third country law contain enforceability clauses. Additionally, in paragraph 45, there is a reference to article 52 of CRR. This appears erroneous. We would like also to emphasise that information related to private placements should remain confidential (rows 2a and 37a). In addition, it would be highly beneficial for investors to be able to select and prioritise the most valuable information and to the limit the signposting (row 37a) to the main public placements above a size threshold.

Question 15: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?	-
Question 16: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?	-
Question 17: Rows in template EU CC2 are flexible as they are based on the published financial statements. Do the respondents see any way to provide higher standardisation to the rows of this template without deviating from the requirement that it should be based on the published financial statements?	The rows are already largely dictated by IFRS requirements, so we do not see further standardisation needed.
5.3.5 Disclosure of countercyclical capital buffers	
Question 18: Are the instructions, tables and templates clear to the respondents?	-
Question 19: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?	-
Question 20: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?	
5.3.6 Disclosure of the leverage ratio	
Question 21: Are the instructions, tables and templates clear to the respondents?	EU LR1 – LRSum 1) LR1, row 11, the title does not match the instructions. The title only mentions adjustment for 'general' provisions, however the instructions refer to specific and general credit risk adjustments. The mapping tool also only links general credit risk adjustments, i.e. rows 181 and 191 of C47 Template. 2) On template EU LR1 ("Summary reconciliation of accounting assets and leverage ratio exposures") there is a dedicated row for "Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting" (row number 6). How should the above item be reported on templates "EU LR2 – Leverage ratio common disclosure" (there is no dedicated row and no "Other adjustments" row under "On-balance sheet exposures (excluding derivatives and SFTs)") and "EU LR3 - Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures"?

	EU LR2 - LRCom 1. LR2, row EU-22b - instruction refer to article 429(14) of the current LR delegated act, which no longer exists in CRR2 and has been replaced by article 429a(1)(j). 2. Mapping Tool - Template LR2 - Row 25a - the formula is incorrect in that it is reflecting an exposure adjustment within the numerator (capital) rather than denominator (exposure).
Question 22: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?	EU LR1 – LRSum In MAPPING TOOL LR1, row 11 - The PVA deduction is linked to C01.00, r290, c010, however the PVA amount in the C01.00 would be related to both assets and liabilities and not only to assets, hence would not comply with article 429a(1)(b) of CRR2. EU LR2 - LRCom 1) In LR2, where shall institutions report the following exemptions as the 'excluded exposure' section of LR2 does not refer to them? a) article 429a(1)(h) b) article 429a(1)(i) c) article 429a(1)(m) d) article 429a(1)(n) e) Exempted CCP leg of client-cleared trade exposures (initial margin) including all IMM RWAs (CVA, Derivatives, Central Counterparties, ETDs, etc) would give a complete view of the IMM portfolio in the disclosures. 2) In MAPPING TOOL LR2 there seems to be the following incorrect references: a) Row 4 - currently this is mapped to C40, r230, c010 which does not exist. Should this be mapped to C47, r230, c010? n.b. while the C40 row looks more appropriate than the C47 row the specific column within the C40 template does not exist. b) Row 15 - this row is mapped to template C40 rows 070 and 080 which are deleted from new C40 COREP template. c) Row 27 - is the mapping to C47.00,r390,C010 correct? Rather than r390, should it not read r380 instead? d) Row 28 - there is no row 020 or column 60 in template C48 so the reference is incorrect.

Question 23: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?	It appears that the exemption of central bank exposures has been excluded from the "Excluded exposure" section of LRCom disclosure in the Annex 15 – Table LR2. As per Article 429a(1)(n) certain central bank exposures are allowed to be exempt and a line is included in CoRep Table C47 - row 255 as per the recent supervisory reporting ITS CP. In the Pillar 3 LRCom disclosure table the row does not exists although it is picked up in the leverage ratio total exposure measure, as this links directly to the CoRep C47 table total. Is it the intention of the EBA for institutions not to directly disclose the central bank cash exemption in the Pillar 3 disclosure?
5.3.7 Disclosure of liquidity requirements	
Question 24: Are the instructions, tables and templates clear to the respondents?	1. Further instructions are needed on LCR delta: it would be useful to have an indication of the threshold above which an explanation of the delta is to be disclosed. 2. The mapping between EU LIQ2 for disclosure on NSFR vs drafted templates C.80-C.81 for reporting on NSFR is not clear. It appears EU LIQ2 is based on the NSFR QIS template. Specifically, the information in row 23 is already included in row 21, should this be excluded in order to avoid double counting?
Question 25: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?	1. Reference to Article 435 – The contents page of the consultation paper reads as ''3.5.8 Disclosure of liquidity requirements (Article 435 and 451a). We propose to remove the linkage to Article 435. None of the Liquidity templates (EU LIQ1, EU LIQ2, EU LIQB and EQ LIQA) are stated to be in accordance with this article anywhere in the CRR2 or in any of the instructions. 2. There are inconsistencies between the Consultation Paper and what has been shown in the Annexes in the Templates. The Consultation Paper states that EU LIQA should be disclosed as part of Article 451a(4). However in the annex 17 EU LIQA is stated as being part of Article 451(a) 1. The EBA will need to clarify what paragraph in the CRR2 EU LIQA should be in accordance with. 3. The consultation paper states that 'capital shall be assigned weighting buckets based on the earliest call date'. However, CRR2 says to also consider reputational factors in determining the residual maturity. We would like clarification on how to apply these rules?

Question 26: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?	1. In terms of the NSFR, we would note that template EU LIQ2 would require firms to disclose the NSFR as of a particular date. In the meantime, we are cognizant of the move towards the disclosure of other regulatory ratios, including the LCR, Asset Encumbrance and Leverage Ratio, on an average basis. The use of spot disclosure may send negative signal to the market at time of stress and potentially create systemic issues that NSFR is expected to mitigate in the first place. We would seek clarity from the EBA as to whether the disclosure of the NSFR is likely to remain on a spot basis or whether a form of averaging quarter-end figures might be considered preferred as it would align with other regulatory ratios. We recognise that there are both arguments for disclosure to remain on a spot basis and for the introduction of an average measurement. Consistent with LCR disclosure, where LCR Disclosure became effective after a reasonable time lag post the implementation of the delegated act, we would suggest also that the disclosure requirements in relation to the NSFR are postponed by a year to allow firms to fully understand the metric and to implement the necessary internal governance frameworks. 2. Template EU KM1 notional value of ASF/RSF – The disclosure mapping of the key metrics template EU KM1 is (lines 18, 19) are disclosing the notional ASF and RSF. This means when firms are disclosing their NSFR as part of their key metrics template they are disclosing the notional amounts of ASF and RSF however the weighted amount of the ratio. This is an inconsistency and also provides the market with above and beyond what is required in the regulation rule set. The main reason for this discrepancy is that Article 447 (g) is not clear on whether the point being disclosed is the notional or the weighted. 3. Table EU LIQA – Certain items in EU LIQA are significantly over and above what the CRR2 and therefore overly burdensome on firms. In addition, some of this information could be construed as propriety information such as ''Contingency funding plans''. This isn't referred to in any part of the CRR2 and we believe this is not only onerous but also confidential and could influence market sentiment. Solution

	would be to keep EU LIQA in line with the previous guidelines for disclosure highlighted in 2017/11 GL.
5.3.8 Disclosure of credit risk quality	
Question 27: Are the instructions, tables and templates clear to the respondents?	
Question 28: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?	EU CR1-A The instructions indicate that all exposure classes listed in Article 147 (2) of CRR (IRB exposure classes) and Article 112 (standardised exposure classes) should be disclosed. These articles include securitisation positions and non-credit obligation assets, however, the templates do not. In addition, EBA is going beyond Article 442.g that requires only the breakdown of loans and advances by residual maturity. The proposed split IRB approach/ SA approach in not required by CRR2 and is not likely to be needed by investors and liquidity risk analysts. We propose removing it.
Question 29: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?	
Question 30: Do the respondents agree that the disclosure templates on credit risk quality included in new draft ITS convey properly the risk profile of the institutions?	EU CQ5 This template is focussed on Loans & Advances with non financial corporations. Our concern is that the total of column a of EU CQ5 is different from the total of column a of EU CQ4 and that it could be misinterpreted by investors. In addition Article 442e of CRR2 requires the disclosure for the total exposures. We would recommend that total of the two templates is the same.
5.3.9 Disclosure of the use of credit risk mitigation techniques	
Question 31: Are the instructions, tables and templates clear to the respondents?	EU CR3 Annex 22 refers to Article 47a of CRR for non-performing exposures which doesn't seem relevant.
Question 32: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?	EU CR3 The instructions imply that the CRM techniques to be recognised are that under the accounting framework not those under CRR, indeed the mapping tables link to FINREP. This appears contrary to Art453(f) which talks about 'eligible credit protection' which would imply under CRR.

	There is a concern that now the unsecured part of a partially secured or partially guaranteed exposure shall be included in unsecured carrying amount. The previous guidelines read "secured exposure shall be carrying amount of exposures (net of allowances/impairments) partly or totally secured by collateral". This will require significant system amendments and from a cost/benefit perspective, it is arguably a point of concern for industry.
Question 33: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?	EU CR3 The instructions imply that the CRM techniques to be recognised are that under the accounting framework not those under CRR, indeed the mapping tables link to FINREP. This appears contrary to Art453(f) which talks about 'eligible credit protection' which would imply under CRR. We propose to move CR2 in question 28 EBA ITS is going beyond CRR2 article 442 f, in terms of information required In addition it also goes beyond NPL Guidelines . Indeed, the full table CR2 seems required by the ITS for all entities whereas, according to NPL guidelines the whole CR2 only applies to entities with an NPL ratio above 5% and a limited number of rows (10-20-30-40-100-110) is required foe entities with an NPL ratio below 5%. To be aligned with FINREP 24.01, table CR2 should be required only when exceeding the threshold of the NPL ratio of 5%. Under the current EBA/GL/2018/10 - Guidelines on disclosure of non-performing and forborne exposures, 4 tables are applicable to all institutions and 6 tables are only applicable to large institutions with a gross NPL ratio >5%. In the new Pillar 3 ITS these 10 tables are still to be disclosed and 5 of the 6 tables retain the >5% NPL ratio threshold, but Table CR2: Changes in the stock of non-performing loans and advances appears to have lost this threshold requirement in the new ITS and would be required to be disclosed: semi-annually for G-SII and large listed institutions, and annually for other non-listed large institutions. We believe this may be a mistake in the instructions as table CR2: Changes in the stock of non-performing loans and advances is produced using data from FinRep - F24 which is only produced for institutions

	where the NPL ratio >5%. For institutions where the NPL ratio <5% the data would not be available in FinRep and the disclosure could not be completed in line with the "Supervisory reporting to Pillar 3 disclosure mapping" requirement. As one of the primary intentions of the recent Supervisory and Pillar 3 ITS CPs was to improve consistency and allow institutions to use the same data to meet both supervisory and disclosure requirements, it is critical to this end that the requirement under FinRep and Pillar 3 is aligned in this case, as well as, more generally across the two CPs.
5.3.10 Disclosure of the use of the standardised approach	
Answers to this part should be provided taking into account that these disclosures will be fully reviewed once the review of regulatory framework for CR-SA is agreed and closed:	
Question 34: Are the instructions, tables and templates clear to the respondents?	EU CR5 Clarity is required over what is to appear in the deduction column ('P'), could an example be provided.
Question 35: In particular, are the instructions for row 16 in template EU CR4 clear to the respondents?	EU CR4 and EU CR5 The implication of the instructions is that deferred tax should be 'other items' rather than 'sovereign', is this correct?
Question 36: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?	EU CR4 RWA column is linked to col 215 of c07.00 which is Risk weighted exposure amount pre SME- supporting factor. Is this should be col 220 i.e. post SME supporting factor
Question 37: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?	EU CR4 Disclosure of the RWA density is not linked to a CRR requirement and therefore appears to be going beyond the level 1 text. Additionally, it can be calculated (as per instructions) very simply so the value of its disclosure is unclear.
5.3.11 Disclosure of the use of the IRB approach to credit risk	
Question 38: Are the instructions, tables and templates clear to the respondents?	EU CR7-A As per Article 147(2) exposure class breakdown includes 'non credit obligation assets' exposure class. The exclusion of this exposure class is missing from the instructions in Annex 26.

	EU CR9 1) In template CR9 the average margin of conservatism at the disclosure date (%): This is not all that clear -a working example for application would be very helpful. This is part of the IRB Repair package, so this seems quite proprietary in nature in the sense that as yet there is no agreed industry practice, hence may lead to a high degree of variability across the banks. The level of uncertainty surrounding the way firms will assess this across all their models which, although well-intentioned, may result in a great deal of noise in the Pillar 3 disclosure. If regulators are looking to see that the new framework truly drives greater consistency then something which does not immediately require full disclosure, like a QIS or simply reporting exercise, could look to drive this type of supervisory monitoring and understanding while avoiding sending unhelpful noise to the investor community. 2) The current disclosure for IRB back-testing requires data to be populated based on the probability of default attributed at the beginning of the period. Could the EBA please confirm whether this will continue to be the case for the new back-testing disclosure template or what the new basis should be. 3) In CR9 ' Of which obligors with short term contracts', would all revolving products be reported here in the QRRE exposure class, more detailed instructions required. 4) Within the PD range column is the following ’30 to <30’ which we believe should be ’20 to <30’.
Question 39: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?	EU CR6 The instructions state that CR6 'shall not include data on specialised lending referred to in Article 153(5) of CRR', specialised lending is referred to in Article 153(4). EU CR6-A The exposure measure is cross referenced to the leverage exposure measure. This does not seem appropriate. In addition, the proposed 3 columns disclosure is burdensome and appears to add little value. A split between IRB/SA would be enough information for investors. Column d should be removed as this this information is not likely to be useful for investors, particularly in the

	context of the output floor to be implemented in EU via the transposition of the finalisation of Basel III.
Question 40: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?	EU CR6 It is not clear why PD bands are shown sub-totalled. EU CR7-A Template CR7-A goes beyond the requirements of the CRR Art 453(g) as the 'credit risk mitigation associated with the exposure and the incidence of credit risk mitigation techniques with and without substitution effect' should be limited to types of mitigation techniques as opposed to the disclosing a breakdown between funded and unfunded credit protection etc. Article 453 g only requires 'credit risk mitigation associated with the exposure and the incidence of CRM with and without substitution effect'. Hence we would recommend limiting the columns to a, b, c, g, k, l, m and n. EU CR9 Template CR9 - Average margin of conservatism disclosure goes beyond the requirements of Art 452(h) and will require a significant amount of work that may not be meaningful to users/investors/analysts.
Question 41: Regarding template EU CR7-a, do the respondents agree that for the purpose of meaningful disclosure of the aggregate values of CRM, the value of each collateral and unfunded credit protection should be capped to the exposure value at the level of individual exposure?	Operationally it is difficult to cap the values wherein multiple CRM techniques are involved for one facility/counterparty. Also, if capping needs to be applied whether it will be on counterparty or on facility level? In case of Retail, collateral data capping has to be done on portfolio level which will distort the results.
Question 42: Regarding template EU CR7-a, do respondents think that the information in this template should be presented in accordance with the classification of exposures before or after the substitution effect?	Art 453(g) requires disclosure with and without substitution effects in any case. For this template we consider that information should be presented in accordance with the classification of exposures before the substitution effect.
Question 43: Regarding template EU CR8 (flow of RWAs), do respondents agree that the drivers included for the variations of the RWEA are a good reflection of the main factors driving these variations or is there any additional relevant driver that should be added?	-

Question 44: Regarding template EU CR9, do respondents agree that the standardisation of PD ranges will allow for increased consistency and comparability of the disclosures by institutions, compared to the use of internal PD ranges?	EU CR9 The PD Scale currently used in CR9, is the same which is used for CR6. As per the detailed instructions for CR6- ' Exposures should be broken down according to the PD scale used in the template instead of the PD scale used by institutions in their RWA calculation. Institutions should map the PD scale they use in the RWA calculations into the PD scale provided in the template.' There is no incremental value in providing this extra level of granularity, as already per CR 9 disclosure we already provide the average PD which helps users understand the distribution mix, and allow for comparability across banks. As regards the Average Margin of conservatism, article 452.h of CRR2 does not require this disclosure. We recommend removing column g from the table
Question 45: Regarding template CR9.1, do respondents agree that this template provides an appropriate disclosure for the information on the external rating equivalent according to Article 452(h) of the CRR? Could respondents provide suggestions on alternative ways to disclose this information?	
Question 46: This package includes very limited information on equity exposures and on specialised lending under the slotting approach. Could the respondents, specially users of information, provide their views on whether additional information on these two exposure classes and approaches should be provided? In particular should a specific template on equity exposures under the PD/LGD approach should be added under template EU-CR6? Similarly, should a specific template for all equity exposures and for specialised lending under slotting approach be added under template EU CR7-A?	It would not be appropriate to include specialised lending under the slotting approach in EU CR7-A. The scope is too small and does not require a special focus. There is a need to prioritise the information given to investors.
5.3.12 Disclosure of specialised lending and equity exposures under the simple risk weight approach	
Question 47: Are the instructions, tables and templates clear to the respondents?	-
Question 48: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?	-

Question 49: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?	EU CR10 We acknowledge that Art 438(e) requires disclosure of 'on- and off-balance-sheet exposures, the risk-weighted exposure amounts and associated expected losses for each category of specialised lending'. This disclosure could be provided on a total basis and a split shown by category below the table that will still meet the requirement instead of multiple tables. For large institutions, it will take considerable amount of time and system changes to extract multiple tables per category, some of which the granularity may not be material.
Question 50: Do the respondents, specially users of information, think that additional information on equity exposures under internal models approach would be useful? In particular, should a template similar to template EU CR10.5 should be added for equity exposures under internal models approach?	-
5.3.13 Disclosure of exposures to counterparty credit risk	
Question 51: Are the instructions, tables and templates clear to the respondents?	For CCR section, please clarify if Free Deliveries RWAs (as per Article 379) should be populated on row 9 'Of which other CCR' on the OV1 template. Currently, the RWAs for Free Deliveries is reported on row 70 and row 20 of COREP C.7 (CR SA) and C.8.1 (CR IRB) respectively. There is no mapping/reference in the 'mapping tool' file covering these rows of COREP. Hence, do we report Free Deliveries RWAs on row 9 of OV1 i.e. 'Of which other CCR'?
Question 52: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?	-
Question 53: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?	-
Question 54: Regarding template EU CCR7 (flow of RWAs), do respondents agree that the drivers included for the variations of the RWEA are a good reflection of the main factors driving these variations or is there any additional relevant driver that should be added?	-
Question 55: Regarding template EU CCR7 (flow of RWAs), do respondents agree that this template should exclude RWEAs to central counterparties?	-
5.3.14 Disclosure of exposures to securitisation positions	
Question 56: Are the instructions, tables and templates clear to the respondents?	

Question 57: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?	-
Question 58: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?	EU SEC3 and EU SEC4 Requiring disclosure of RWA before the CAP is not required by the CRR and seems excessive detail.
5.3.15 Disclosure of use of standardized approach and internal model for market risk	
Answers to this part should be provided taking into account that these disclosures will be fully reviewed once the review of regulatory framework for market risk is agreed and closed:	
Question 59: Are the instructions, tables and templates clear to the respondents?	Yes, these are clear.
Question 60: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?	EU MR2-A Line 5 'other' unduly contains the add ons requested by supervisors on banks market risk models. Line 5 should be removed primarily because it is NOT a CRR2 requirement. In addition, it raises inconsistency in the mapping with COREP; supervisory reporting COREP C24 does not include this information.
Question 61: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?	Yes, we believe that it does fit the purpose of the underlying regulation.
Question 62: Regarding template EU MR2-B (flow of RWAs), do respondents agree that the drivers included for the variations of the RWEA are a good reflection of the main factors driving these variations or is there any additional relevant driver that should be added?	Regarding template EU MR2-B, we agree with the drivers included for the variation of the RWEA are a good reflection of the main factors driving these variations. However, we don't agree with the explanation of row {1a/b} and {8a/b} of Template EU MR2-B in Annex 34. According to the Instructions, in case of RWA/own funds requirements are calculated as 60-day average (VaR/SVaR)/12-week average or floor measure (IRC/CRM), and not as RWA/own funds requirement at the end of period, rows 2,3,4,5,6,7 reconcile the value in row 1b and 8a, but – since RWA/own funds requirements are calculated as average over the time period – the reconciliation should be performed with the value in row 1 and 8.

5.3.16 Disclosure of operational risk	
Question 63: Are the instructions, tables and templates clear to the respondents?	EU OR1 Please could we have some clarity on the definition of "Banking Activities"? It is not obvious what the scope of the table is.
Question 64: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?	-
Question 65: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?	EU OR1 Yes, however, we note that the required disclosure of quantitative information for the relevant indicator (columns a, b and c) goes beyond the requirements set out in the CRR.
5.3.17 Disclosure of remuneration policy	
Question 66: Are the instructions, tables and templates clear to the respondents?	AFME believes that further clarity would be helpful in a number of areas to ensure consistent reporting across all firms. For instance: Table REMA: we do not believe that the qualitative information on a firm's remuneration policy is necessarily best suited to a table format but instead suggest that the Instructions are updated such that this table is not a "Fixed format". This would help firms to disclose their remuneration policy in the format most appropriate for their policy, so long as all the required data points are included. This would also help global firms who may be making equivalent qualitative disclosures in non-EU jurisdictions as well as listed firms required to make similar disclosures in their Annual Reports. This approach would be consistent with Paragraph 17 (Section 3.4) of the EBA's consultation as well as the BCBS Pillar 3 Standards from March 2017 which define Table REMA as a "Flexible" format. Table REMA: to ensure a clear understanding of the difference between the information to be reported under points (h) and (j), we suggest that a reference is included to the 2015 EBA Guidelines on Sound Remuneration Policies, paragraph 311. Table REMA: we suggest that the instructions for row (i) in Annex 38 are amended as follows "for which of the remuneration principles they apply the derogation(s), the number of staff members that benefit from the derogation(s) and, where a derogation is applied on the basis of point (b) of Directive 2013/36/EU, their total remuneration, split into fixed and variable remuneration". On the contrary, firms which benefit from a

	derogation on the basis of point (a) of Article 94(3) of Directive 2013/36/EU are by definition not classified as large institutions. As firms have to comply with the remuneration rules in a way that is proportionate to their size, we believe that requiring these firms to disclose annually on a solo basis (in particular for small subsidiaries of large banking group) their remuneration policy with all details concerning the total remuneration split into fixed and variable remuneration would be disproportionate without bringing useful information to the public. In some cases, these disclosures would not allow firms to respect the necessary confidentiality and protection of individual data. Table REM1: the Guidelines state that this should be completed using the FTE (full time equivalent[1]) approach (this sentence is highlighted in blue, the reason for which is unclear). However, we suggest that this should be amended to number of staff, as is the case, for example, in Table REM4. Using the FTE approach is likely to result in misleading disclosures. For example, members of the management body are remunerated on the basis of their role and not on how many hours they are contracted to work, so should be counted as a single staff member. In addition, remuneration rules such as the variable pay cap, deferral rules, etc are applied at each individual employee level irrespective of their FTE. Similarly, remuneration for part-time employees should be considered per staff member – rather than, for example, the remuneration of two part time employees being combined as though it were the remuneration for a single full-time employee. If the EBA persists in requiring the use of the FTE approach, there should be further clarity given in the EBA's Guidelines to ensure that the data can be fully understood and to ensure consistency between tables. Tables REM1, REM2 and REM3: could the EBA confirm that the management body referred to is only the management body for the institution for which the information is being disclosed, and does not include members of the management bodies of subordinate significant institutions? Table REM3: For each row it would be helpful to discuss with the EBA in order to have further clarity on what is required, with examples given

[1] We define this as: https://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Full-time_equivalent_%28FTE%29

	where possible. We have set out some specific questions with a worked example below, but key points we would like to raise include: Columns (a), (e) and (h) refer to performance periods while columns (b), (c), (d), (f) and (g) refer to financial years – could the EBA confirm that "performance period" is meant throughout? Could the EBA confirm that column (a) refers only to remuneration that was outstanding at the start of the performance period to which the disclosure relates? Furthermore, could the EBA confirm that column (a) is equal to sum of columns (b) and (c), and that columns (a), (b) and (c) are meant to be populated with <u>initial awarded amounts</u>? What is expected to be disclosed under column (e)? Can the EBA clarify that (g) refers to what was paid out after the end of 'retention period', as opposed to what vested but was still subject to retention in the financial year under (b)? It would also be helpful for terms such as 'deferred', 'vested' and 'paid out' to be clearly defined. Could the EBA confirm that (h) only includes retained awards that were previously deferred (i.e. that it excludes retained awards that were immediately vested)? Given that this would be a subset of column (b), we suggested re-ordering the columns so that (h) follows (b) and removing "and retained" from the heading in Cell B5. Remuneration can be awarded in units other than currency, for example as a number of Restricted Stock Units (RSU). Further guidance is therefore requested as to how these should be valued – e.g. value at time of award, time of forfeiture, start of performance period or end or performance period. Table REM 5: We understand that the greyed out cells are not applicable, given that there is no requirement in CRR2 to report this information. We also suggest that guidance is given to firms as to how to populate other fields in any table that are not applicable. For example, removing the fields from the disclosure would make the tables more user friendly and save space. <u>Worked example for Table REM3 – for further discussion with the EBA (and potentially further consultation):</u>

	Firm A has 100 Identified Staff in respect of the 2019 performance period (being the calendar year). As at 1 January 2019, these Identified Staff had 1,000 units of unvested deferred stock outstanding. These were granted at different values between 2015 and 2018 and their combined value at grant was €8,000. On 1 January 2019, Firm A's stock price was €10, making the aggregate value of the units €10,000 at that date. *Identified ambiguity: whether column (a) is reported as the €8,000 grant value or the €10,000 value at the start of the performance period.* Between January 2019 and 31 December 2019, 200 units vested at different times and prices. The combined value on the different vesting dates was €2,500. *Identified ambiguity: whether column (b) is reported as (i) the grant value of the 200 vested units, (ii) the €2,000 value of the vested units as at the start of the year, or (iii) the €2,500 value on the various vesting dates.* During 2019, 80 units were forfeited by Identified Staff voluntarily resigning from Firm A and a further 20 units were reduced by Firm A applying malus (performance adjustment). Of the original 1,000 units, this left 700 units (1,000 – 200 – 80 – 20) unvested at 31 December 2019 and due to vest in future performance periods. At 31 December 2019 Firm A's stock price was €15 making the 700 unvested units worth €10,500 on that date. *Identified ambiguity: whether column (c) is reported as (i) the grant value of the 700 unvested units, (ii) the €10 value of the unvested units as at the start of the year, or (iii) the €15 value as at the end of the year.* During 2019, 500 new units of deferred stock were granted to Identified Staff at different times and prices. By the end of the year, 40 of these had been voluntarily forfeited by leavers and a further 10 were reduced by the application of malus in the year. At 31 December 2019, the total number of unvested units was therefore 1,150 (700 + 500 – 40 – 10).

	In total 30 units were forfeited due to the application of malus (20 from prior years, 10 from the current year). Of these, 15 units would have vested in 2019 and 15 units in 2020 or later. At the date of forfeiture in June 2019, the stock price was €11. *Identified ambiguity: whether column (d) is reported as (i) the grant value of the 10 forfeited units due to vest in 2019, (ii) the €10 value of the unvested units as at the start of the year, or (iii) the €11 value at date of forfeiture.* *Identified ambiguity: whether column (e) is reported as (i) the grant value of the 20 forfeited units due to vest after 2019, (ii) the €10 value of the unvested units as at the start of the year, (iii) the €11 value at date of forfeiture, or (iv) the €15 value at the end of the year.* As mentioned above, between 1 January and 31 December, Firm A's stock price rose from €10 to €15, creating a +€5 implicit adjustment per unit over the full period. Units that were granted, vested or forfeited during the year were subject to a different adjustment between 1 January and the respective date. *Identified ambiguity: the value reportable in column (f) showing the total implicit adjustment; whether this is calculated on a unit-by-unit basis or just based on the 700 units that were outstanding over the full year.* Of the 200 units that vested in the year, 180 were subject to a 12 month retention period on the net number of units after tax. The remaining 20 were distributed to employees with no restrictions. In addition, the retention period ended on a further 100 deferred units which had vested in the prior year and these were also distributed to employees. *Identified ambiguity: The value reportable in column (g) to show the amount "paid out; whether this is (i) the value of the 200 vesting units as in (b), (ii) the values of the 20 units with no retention period, or (iii) the value of all 120 deferred units reaching the end of a retention period (including the 100 vested in prior years).* *Identified ambiguity: whether column (h) is reported as the value of the 180 units vesting subject to retention on the same basis as in column (b) or as valued at the distribution date.*

Worked Example for Table REM3 – Tabular Format:

	# units	**Reporting** - TO DISCUSS WITH EBA	**Value per unit for reporting** – TO DISCUSS WITH EBA
Unvested units from prior periods at 1 Jan	**1,000**	Reported in (a)	[e.g. @ 1 Jan]
Of which, vested in the year	(200)	Reported in (b)	[e.g. @ 1 Jan]
Voluntary forfeited in the year	(80)	-	-
Performance adjustment in the year	(20)	Combined in (d) and (e)	-
Unvested units from prior periods at 31 Dec	**700**	Reported in (c)	[e.g. @ 1 Jan]
New units granted in the year	500	-	-
New units voluntarily forfeited in the year	(40)	-	-
Performance adjustment to new units in the year	(10)	Combined in (d) and (e)	-
Total unvested units at 31 Dec	**1,150**	-	
Performance adjustment to units from prior periods	20	*From above*	-
Performance adjustment to units from current period	10	*From above*	-
Total ex-post explicit performance adjustment	**30**		**-**
Of which, would have vested in current year	15	Reported in (d)	[e.g. @ Forfeiture date]
Of which, would have vested in future years	15	Reported in (e)	[e.g. @ Forfeiture date]

	<table><tr><td>Units vesting in the year</td><td>200</td><td>*From above and in (b)*</td><td>[e.g. @ 1 Jan]</td></tr><tr><td>Of which, subject to a retention period</td><td>180</td><td>Reported in (h)</td><td>[e.g. @ 1 Jan]</td></tr><tr><td>Of which, not subject to a retention period</td><td>20</td><td>Reported in (g)?</td><td>[e.g. @ 1 Jan]</td></tr><tr><td>Units vested in prior years ending retention period</td><td>100</td><td>Reported in (g)?</td><td>[ ]</td></tr></table>
Question 67: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?	AFME believes that there are instances where the templates appear to ask for more information than is required in Article 450 of CRR2 and that these should be revised. For example: - Table REM2: rows 3 and 10 appear to go beyond what is required by Article 450(1)(h)(v-vii) in referencing the bonus cap. We suggest that these rows should be removed. - REM3: Column (h), goes beyond what is required in by Article 450(1)(h)(iv) “the amount of deferred remuneration due to vest in the financial year that is paid out during the financial year, and that is reduced through performance adjustments;” by requiring the disclosure of amounts that have vested but are subject to retention periods. In addition, in Table REM5 capturing data on all staff, this goes beyond what is required in Article 450(1)(g), which applies only to Material Risk Takers and this table is not in the BCBS Standards. We suggest that this is revised to refer only to Identified Staff / Material Risk Takers. We note that in the draft Instructions for Table REM3, column (h), there is a reference to “Article 9 of Directive 2013/36/EU”. We believe this is a typo and should refer to “Article 94”.
Question 68: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?	We refer to our responses to questions 66 and 67 above, in which we outline areas where further clarity is required and where the requirements appear to go beyond the underlying regulation.

5.3.18 Disclosure of encumbered and unencumbered assets	
Question 69: Are the instructions, tables and templates clear to the respondents?	As a general comment, we would be grateful if: - The wording could be aligned with the LCR Delegated Regulation (e.g. liquid assets rather than HQLA / EHQLA); and, - The switch from 'ABS' to 'Securitisations' completely (e.g. both in the disclosure templates as well as in ITS).
Question 70: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?	-
Question 71: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?	-
5.3.19 Other questions	
Question 72: Do respondents consider that the "mapping tool" appropriately reflects the mapping of the quantitative disclosure templates with supervisory reporting?	Despite assessing Option 1b "flexible mapping" as the preferred option for integration of the disclosure and the reporting templates in the consultation paper, there are (1) items in disclosure templates which are currently not mapped to reporting templates in the "Mapping Tool" and (2) disclosure templates which are not included in the "Mapping Tool". (1) No mapping to reporting templates: EU INS1, EU INS2, EU CC1, EU CR5, EU CR7-A, EU MR2-A, EU MR2-B, EU MR3 (2) Disclosure templates not in "Mapping Tool": EU LI1, EU LI2, EU LI3, EU CC2, EU CCYB1, EU CCYB2, EU CR1-A, EU MR4, REM1, REM2, REM3, REM4, REM5. What is the plan going forward with regard to these items not mapped to supervisory reporting?
Question 73: In case of the need for corrections of any of the information disclosed by the institutions in their Pillar 3 reports, could respondents provide their views on the best way to publicly communicate these corrections?	-

AFME contacts:

Mark Bearman

Director, Prudential Regulation

mark.bearman@afme.eu

Direct +44 (0)20 3828 2675

About AFME:

AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society.

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