


POSITION PAPER



Draft Implementing Technical 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

ESBG (European Savings and Retail Banking Group)

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5.3 Overview of questions for consultation

General Comments to the Consultation Paper:

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?

From our point of view, the integration of reporting and disclosure will only be successful if it does not lead to more burden for the institutions. Enough time will be needed, in order to provide for a proper and correct disclosure. In our opinion, it is not very expedient to prepare the reporting templates, which are the basis for disclosure, based on an unaudited annual financial statement. The associated double effort for the preparation, first based on the unaudited annual financial statements and then on the basis of the certified annual financial statements, should not be underestimated. We would appreciate it if the reporting forms are used after the annual accounts have been audited for the purposes of disclosure.

The consequences of submitting corrections to supervisory reporting data also need to be thoroughly thought through. Corrections may become necessary for various reasons other than errors in the preparation of reports. In addition to corrections resulting from the fact that the auditing process has not yet been completed when data are submitted (difference between unaudited and audited annual accounts), retrospective changes to supervisory validation rules can also make it necessary to submit corrections – sometimes to data relating to several previous reporting dates. We understand that it may be necessary to adjust disclosures in the event of major modifications to supervisory reporting. We do not, however, believe that renewed disclosure will serve a useful purpose in the event of minor or insignificant corrections. Quite apart from the time and effort involved in their preparation, amended Pillar 3 reports are more likely to confuse investors than to offer them new insight and enhance transparency. We therefore recommend the introduction of materiality thresholds, below which renewed or corrected disclosure is not necessary.

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?

No.

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

Yes.

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?

Yes.

5.3.2 Disclosure of risk management objectives and policies

Question 5: Are the instructions, tables and templates clear to the respondents?



Yes.

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?

No.

Question 7: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?

Yes.

5.3.3 Disclosure of the scope of application

Question 8: Are the instructions, tables and templates clear to the respondents?

Given the structure of our group (large listed institution with many smaller and both listed and non-listed subsidiaries), we would appreciate further specification on the application of the proportionality principle, in the light of the new differentiation criteria (small and non-complex, other, large institutions; listed and non-listed), and its impact on the scope and frequency of disclosure requirements. Furthermore, how is this principle applied to the smaller subsidiaries when they face a larger group reporting requirement?

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?

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 standardization to the rows of this template without deviating from the requirement that it should be based on the published financial statements?

No.

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?

Yes.

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?

5.3.4 Disclosure of own funds

Question 14: Are the instructions, tables and templates clear to the respondents?



Yes.

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?

No.

Question 16: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?

In general, we consider the templates and instructions to be clear. However, the cross-references for a full reconciliation of accounting and regulatory own funds in column (c) of the template EU CC2 might not be meaningful for banks with a substantial minority interest as IPS adjustments and regulatory adjustments apply. Those adjustments are already disclosed in the Template for Total Equity (based on CRR Art. 436 b) in order to ensure a comprehensive reconciliation of IFRS equity to CRR own funds. Consequently, the increase in transparency is likely to mislead investors/external parties, and additional clarifications have to be included to fully justify those differences. In this context, we would suggest the EBA to reconsider this additional column, and avoid additional disclosure requirements which will not be beneficial to third parties.

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 standardization to the rows of this template without deviating from the requirement that it should be based on the published financial statements?

No.

5.3.5 Disclosure of countercyclical capital buffers

Question 18: Are the instructions, tables and templates clear to the respondents?

Yes.

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?

No.

Question 20: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?

Yes.

5.3.6 Disclosure of the leverage ratio

Question 21: Are the instructions, tables and templates clear to the respondents?



Yes.

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?

Positions marked yellow in the Template LR2 are not correctly mapped to the leverage reporting template C 47.00. In green is the proposal of what the mapping should look like:

Leverage ratio			
25	Leverage ratio	= {LRCom, 23} / {LRCom, 24}	
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	= ({LRCom, 23} + {LRSum, 4}) / {LRCom, 24}	
26	Regulatory minimum leverage ratio requirement	= {C 47.00, r350, c010}	= {C 47.00, r430, c010}
27	Applicable leverage buffers	= {C 47.00, r390, c010}	= {C 47.00, r460, c010} - {C 47.00, r430, c010}

Template C 47.00 - LEVERAGE RATIO CALCULATION (LRCalc):

Row	Requirements: amounts
350	Pillar 2 requirement (P2R) to address risks of excessive leverage
360	of which: to be made up of CET1 capital
370	of which: to be made up of Tier 1 capital
380	G-SII leverage ratio buffer
390	Pillar 2 guidance (P2G) to address risks of excessive leverage
400	of which: to be made up of CET1 capital
410	of which: to be made up of Tier 1 capital
Row	Requirements: ratios
420	Pillar 1 Leverage Ratio requirement
430	Total SREP leverage ratio requirement (TSLRR)
440	TSLRR: to be made up of CET1 capital
450	TSLRR: to be made up of Tier 1 capital
460	Overall leverage ratio requirement (OLRR)
470	Overall leverage ratio requirement (OLRR) and Pillar to Guidance (P2G) ratio
480	OLRR and P2G: to be made up of CET1 capital
490	OLRR and P2G: to be made up of Tier 1 capital

Question 23: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?

Yes, but on this occasion we would like to refer to our statement on the ITS on supervisory reporting requirements (question 20.3), which has a direct impact on the disclosure requirement:

The new reporting requirement is unduly burdensome and cost intensive (with system and resources constraints) and not at all proportionate to the presumed window dressing allegation without concrete evidence. Also, the simplicity of the leverage ratio as a simple non-risk-based backstop tends to disappear.

Furthermore, this new requirement is in direct contradiction with other EBA mandates (such as the cost-benefit-assessment) for small and non-complex institutions, as many savings banks within a group or IPS are indirectly affected.



In addition, we would like to point out that ESMA has introduced a transaction based reporting for SFTs, where detailed information on many attributes (such as type, date, amount and rate) of SFT must be reported. Based on the information received, competent authorities and the EBA should be able to investigate whether an institution may be involved in window dressing related activities. If this data shows a strong indication of activities related to window dressing, ESMA may forward the information to other authorities (such as the competent authorities or the EBA) for further investigation.

5.3.7 Disclosure of liquidity requirements

Question 24: Are the instructions, tables and templates clear to the respondents?

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?

Question 26: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?

5.3.8 Disclosure of credit risk quality

Question 27: Are the instructions, tables and templates clear to the respondents?

The consultation paper refers to EBA/GL/2018/10. The reporting template of these guidelines provide for the reporting of the "gross carrying amount", whereas the draft ITS on reporting refers to the "accounting value". We ask for the use of uniform terms.

EU CQ5: What is the scope of the template? Reference is given against F06.01, which contains non-trading loans and advances to non-financial corporations only, however instructions for CQ5 do not specify limitation to non-financials only. Please clarify the scope of the template.
EU CQ6:

- Row 070 – Accumulated impairment for secured assets – what is the treatment of accumulated impairment for partially secured instruments?
- Row 020 – of which: secured – please confirm that this row should include secured amount of gross carrying amount (including secured part of partially secured deals). Please explain the treatment of overcollateralization – should these cases be capped at gross carrying amount, having in mind it is "of which" position?
- Row 110 – "of which value above the cap" – please provide further details what is value above the cap? Is it the difference between row 090 and 020 (which would assume potential capping to Gross Carrying Amount in case of collateralization), or is it the difference between row 090 and market value of collaterals used. If it's the latter, please take into consideration that column split request presentation of collateral per categories which are related to exposure only (performing/non performing and days past due bucket), so in order to present collateral in such a way, some allocation has to be assumed, at least to Gross Carrying Amount (like requested in row 020).
- Rows 040-060: Does LtV ratio calculation assume collateral allocation to deals? Please provide further details on how to treat cases when one collateral covers 2 different loans (or possible m:n relationships). Please give further instructions on how a potential off balance (not yet disbursed part of the loan) should be treated in LtV calculation?



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?

Yes. Template for NPLs (e.g. EU-CR2) requires disclosure even if the NPL-Ratio is < 5 % (though a reporting is not required). This represents a tightening of existing regulations. We ask for requiring a disclosure of NPLs only if the NPL-ratio is above 5 %. The disclosure template EU CR2 e.g. refers to FINREP template 24.1. This template is part of the reporting requirements only if the NPL-ratio is above 5 %. Template EU CR2-B of EBA/GL/2016/11 corresponds to the requirements of Art. 442 (f) CRR II.

Question 29: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?

Yes.

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?

Yes.

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: The requirement in Annex 22 says that all CRM techniques under applicable accounting framework should be considered, regardless whether these techniques are recognized under CRR, implying that CRR/Basel collateral eligibility shouldn't be taken into consideration (which is in line with the reference given to FINREP tables F05.01/13.01/18.00). However, the second part of the requirement "including all types of collateral, financial guarantees and credit derivatives used as credit risk mitigants to reduce capital requirements" implies that only CRR/Basel eligible collaterals should be taken into consideration, as only those are reducing capital requirement. Please consider rephrasing the second part of the definition.

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?

No.

Question 33: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?

Yes.

5.3.10 Disclosure of the use of the standardized 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: In the definition given in Annex 24, "Institutions shall disclose the information on the allocation of risk weights within the respective exposure class according to Part three, Title II, Chapter 2, Section 2 of CRR", implying that only the exposure that is subject to credit risk (without counterparty credit risk) should fall under the template. However, EU CR5 I referenced to C07.00, column 200, which also includes exposures subject to counterparty credit risk. Please clarify the scope of CR5.

Question 35: In particular, are the instructions for row 16 in template EU CR4 clear to the respondents?

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?

No.

Question 37: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?

Yes.

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 CR6-IRB Approach: In the instructions in Annex 26, in point 2 the part "or data on equity exposures under the Simple risk weight approach" is redundant, as all equity exposures are excluded from this template. Additionally, reference to Article 167 in point 2, table item (e) should be removed.

- EU CR6-A – IRB Approach: In Annex 26, in description of column (d), part "exposures under all A-IRB approaches for equity exposures" is different than the instructions for template C08.07, where is stated: "immaterial equity exposures not included in columns 0020 or 0040". Aligned definition needed.

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?

No.

Question 40: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?

Yes.

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?

Yes.



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?

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?

No additional drivers detected.

Question 44: Regarding template EU CR9, do respondents agree that the standardization of PD ranges will allow for increased consistency and comparability of the disclosures by institutions, compared to the use of internal PD ranges?

Yes, the standardization of PD ranges increases consistency and comparability.

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?

The template provides appropriate relation on the external rating equivalent.

Question 46: This package includes very limited information on equity exposures and on specialized lending under the slotting approach. Could the respondents, especially 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 specialized lending under slotting approach be added under template EU CR7-A?

We do not find it necessary.

5.3.12 Disclosure of specialized lending and equity exposures under the simple risk weight approach

Question 47: Are the instructions, tables and templates clear to the respondents?

Yes.

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?

No.

Question 49: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?

Yes.



Question 50: Do the respondents, especially 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?

No.

5.3.13 Disclosure of exposures to counterparty credit risk

Question 51: Are the instructions, tables and templates clear to the respondents?

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 securitization 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?

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?

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?



Question 61: Do the respondents agree that the new draft ITS fits 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?

5.3.16 Disclosure of operational risk

Question 63: Are the instructions, tables and templates clear to the respondents?

Yes.

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?

No.

Question 65: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?

Yes.

5.3.17 Disclosure of remuneration policy

Question 66: Are the instructions, tables and templates clear to the respondents?

The requirements set out in the instructions and tables are completely overshooting the objectives set out in the EBA Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013.

Proposed questions do not require disclosure of "sufficient general information" as set out in mentioned regulation, but require detailed information not necessary to have in such detail, in the Remuneration Policy. They require a disclosure of names, mandates, and a detailed description of performance management linked to variable remuneration, bonus pool guidelines, explanations on internal rules, internal governance, and the entire cycle of HR policies and practices, as mentioned, not only required by the Remuneration Policy.

Proposed tables and templates do not provide a clear distinction between management levels. As credit-institutions' internal organization consists of multi-level hierarchies, a clear terminology needs to be used (e.g. instead of "management function"- "management board", etc.). It is not clear how tables are connected to each other, in order to first of all understand the requirements and secondly provide consistent reporting (e.g. some tables have totals, some don't).

Throughout all the tables it is not clear whether there is request for a Headcount or FTE number, when it comes to the employees. The terminology used will cause misunderstanding of requirements (e.g. guaranteed variable remuneration is not allowed, only in the form of a first year sign-on bonus), therefore more to the point and clear terminology would be necessary. Following this terminology, the disclosure tables should be understood as trick questions, and would lead to incorrect reporting. The questionnaires need to take into account



that the tables need to be filled in by more than 100 entities, and therefore very simple, clear terminology is paramount. A clear distinction needs to be made between the number of staff and amount of payment, when it comes to special payments. Preferably changing the structure of the sentence in a way that it is very obvious.

Throughout all the tables it is not clear whether the historical payments are necessary, or the payout year, it needs to be kept in mind when variable remuneration can be paid out for a performance year. The timeline of the requirements needs to be more clearly specified.

In the table: Remuneration awarded for the financial year – the requirements with regards to separation of deferred parts per type, are structured in an unnecessarily complicated way (e.g. instead of asking for a deferral after each type, we would propose – amount of deferral – of which cash, or instruments, etc.)

Template REM 3: Deferred remuneration – is completely misleading and unclear. It is not clear whether outstanding payments are required from previous years, payout in the reporting year or future payments. The timeline for reporting is completely unclear. We would recommend moving the types of employees to the columns and requirements and types of payments to rows, for more clear understanding of requirements.

Two tables Rem1 and Rem5 have overlapping requirements for MRT's, but are not keeping the consistency of reporting (e.g. what is the point of reporting identified staff per business areas and then in the other table asking to classify them in one column as "other identified staff", when a simple sum formula can be added to the first table to provide this figure). Overall the amount of information requested in the tables, as well as the lack of consistency between the tables will just overcomplicate the entire process and lead to incorrect reporting. REM4: Remuneration of 1 million EUR or more per year – again no clarification of what value needs to be entered (Headcount or FTE).

Recommendation: if additional reporting requirements are needed, we recommend the use of old tables which would be amended accordingly. The process of disclosure requires a very complicated coordination on a group level, instruction and guidance for the consolidated subsidiaries, etc. Therefore, sticking to "old" (from previous years) templates which would be only supplemented by necessary requirements by new regulation would be more user friendly and would enable institutions to successfully reach the objectives of the disclosure on remuneration policy.

For REM3: deferred remuneration – it would be beneficial and very helpful if we could be provided with an example of what needs to be reported in which column, as the table is very hard to read.

Marking remuneration in a graphic and linking to the specific cell in the table, as well as giving an example of years (timeline) would provide much needed clarity.

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?

In order to compose mentioned templates, one must have a detailed understanding of the payroll systems, calculations and administration. Please, refer to the answer above for more details.

Question 68: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?

No, we do not agree. As already mentioned, the requirements set out in the instructions and tables are completely overshooting the objectives set out in EBA Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013.



5.3.18 Disclosure of encumbered and unencumbered assets

Question 69: Are the instructions, tables and templates clear to the respondents?

Yes.

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?

No.

Question 71: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?

No.

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?

EU CR 5 – please revise reference to COREP (see response to question 34).

EU LR2 - please revise reference to COREP (see response to question 22).

In order to avoid misunderstanding between COREP templates name and scope, please consider adjusting titles of templates C08.03, C08.04, C08.05, C08.05b to exclude wording “counterparty credit risk and free deliveries”, as this type of risk is out of the scope of the mentioned templates.

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?

A statement in the same location as the disclosure, and/or an additional page in the disclosure report, describing the nature of the change and the effects.



About ESBG (European Savings and Retail Banking Group)

ESBG represents the locally focused European banking sector, helping savings and retail banks in 21 European countries strengthen their unique approach that focuses on providing service to local communities and boosting SMEs. An advocate for a proportionate approach to banking rules, ESBG unites at EU level some 900 banks, which together employ more than 650,000 people driven to innovate at roughly 50,000 outlets. ESBG members have total assets of €5.3 trillion, provide €1 trillion in corporate loans (including to SMEs), and serve 150 million Europeans seeking retail banking services. ESBG members are committed to further unleash the promise of sustainable, responsible 21st century banking. Our transparency ID is 8765978796-80.



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