EUROPEAN BANKING AUTHORITY

EBA/DP/2021/03

22 July 2021

Discussion Paper

on proportionality assessment methodology

EBA EUROPEAN BANKING AUTHORITY

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EUROPEAN BANKING AUTHORITY

1. Responding to this Discussion Paper

The EBA invites comments on all proposals put forward in this paper and, in particular, on the specific questions stated in the boxes below.

Comments are most helpful if they:

- respond to the question stated;
- indicate the specific point to which a comment relates;
- contain a clear rationale;
- provide evidence to support the view expressed;
- describe any alternatives the EBA should consider; and
- provide where possible data for a cost and benefit analysis.

Submission of responses

To submit your comments, click on the 'send your comments' button on the consultation page by 20.10.2021. Please note that comments submitted after this deadline, or submitted via other means, may not be processed.

Publication of responses

Please clearly indicate in the consultation form if you wish your comments to be disclosed or to be treated as confidential. A confidential response may be requested from us in accordance with the EBA's rules on public access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the EBA's Board of Appeal and the European Ombudsman.

Data protection

The protection of individuals with regard to the processing of personal data by the EBA is based on Regulation (EU) 1725/2018 of the European Parliament and of the Council of 23 October 2018. Further information on data protection can be found under the Legal notice section of the EBA website.

Disclaimer

The views expressed in this discussion paper are preliminary and will not bind in any way the EBA in the future development of the draft Guidelines. They are aimed at eliciting discussion and gathering the stakeholders' opinion at an early stage of the process.

2. Executive Summary

Reasons for publication

The EBA developed a proportionality assessment methodology to set a high-level framework for assessing the need for applying proportional treatment of certain institutions in the relevant EBA Regulation. With this methodology, the EBA intends to provide policy experts with a reference point that will assist them in the development of impact assessments that provides evidence on the need for applying proportional treatment of institutions.

The note is predominantly of technical nature and mainly intended for EBA users. However, the EBA considers useful to hold a public consultation with the industry before finalising it, in view to provide the credit institutions and investment firms with the opportunity to comment on the proposed classifications of institution and on the metrics used for proportionality assessment.

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The proportionality assessment methodology comprises two separate steps: (a) the definition of four different classifications and (b) the definition of the metrics applicable to the different categorisations in view to assess whether there is need for proportional treatment of different categories of institutions. The first step proposes three different categorisations for credit institutions and a categorisation for investment firms.

Although all categorisations comprise a different mixture of size and risk profile discriminatory criteria, the discrimination according to size is more predominant in two categorisations of credit institutions (classification I and classification III), while the business model categorisation (classification II) addresses the risk profile of credit institutions as indicated by the business model (based on the stock of exposures), international activity and systemic importance. Finally, the categorisation of investment firms (Classification IV) constitutes a well-balanced mixture of size and risk profile discriminatory factors.

Next steps

After addressing the comments of market participants, the EBA intends to finalise this document and make it a point of reference for proportionality assessment.

3. Background and rationale

The EBA already uses part of the proposed classifications in its work involved with the Basel III monitoring exercise, namely, Classifications I and Classification II. However, the EBA identified the need to expand the classifications to align with the classifications provided by the EU Regulation, such as CRR2 (Classification III) and IFR (Classification IV). In addition, the EBA intends to standardise the classifications and metrics for proportionality assessment, so as to enhance common understanding as to how proportional treatment in EBA Regulation is being assessed.

4. Discussion

4.1 Introduction

Mandate of the EBA Advisory Committee on Proportionality

1. The ACP is established under Article 1(6) of the EBA Regulation and, according to Article 2 of EBA Decision 2020/311 ("the Decision"), its tasks are to:

   a. Assess the EBA Work Programme[1] for the coming year. It advises the Board of Supervisors on the work programme and where necessary makes recommendations to the Board of Supervisors on how it should be improved to take account of specific differences prevailing in the sector.

   b. Review how the **EBA has taken into account the Committee's advice and recommendations**. The Co-Chairpersons of the Committee comment on the results of the review in the EBA's annual report.

   c. Provide **advice** to the EBA's Board of Supervisors ('BoS') and Management Board **if called for advice on an ad hoc basis**.

   d. Establish a methodology for identifying relevant sectoral differences and assessing how they may be considered by the EBA in its measures.

2. In this respect, the Committee has already provided input to the EBA 2021 Work Programme, by submitting a letter of recommendations to the EBA BoS, where it selected five topics for which it suggested possible enhancements of proportionality measures. These topics *are:*

   a. the IFD/IFR for Investment firms,

   b. the revised SREP Guidelines,

   c. the Guidelines on internal governance,

   d. the cost of compliance study and

   e. the disclosure templates on ESG risks.

3. This document intends to fulfil the ACP's mandate for establishing a **Proportionality Assessment Methodology (PAM),** intended for use by the policy experts, for assessing whether the application of proportional treatment of EU institutions is necessary for specific parts of EBA regulation.

4. Proportionality is being identified **at three levels**:

[1] For 2020: https://eba.europa.eu/sites/default/documents/files/documents/10180/2970032/4c85f578-fe16-4cd7-920a-bbe0ac54b9eb/EBA%202020%20Work%20Programme.pdf

a. by the EU law maker, as per the Treaty for the supervised entities (e.g. credit institutions and investment firms) and supervisory authorities,

b. by the supervisory authorities in the EU (including both the ECB and NCAs within the SSM) when conducting financial market supervision and applying the supervisory requirements; and,

c. by the supervised entities.

5. **The main strategic objectives of the primary (Level 1) EU legislation adopted as a basis for the Single Rulebook is to preserve the financial soundness of supervised entities, the resilience of the financial sector and the financial stability of the EU**. The proportionality assessment accompanying the Level 1 regulation ensures, largely, that the abovementioned objectives are met.

6. When specifying the application of technical standards – as well as Calls for Advice, Opinions and Guidelines – for the application of Level 1 regulation, **the Level 2 regulator (EBA) and, subsequently, the supervisors (CAs) should also ensure there is a proper PAM that ensures the proportional treatment of institutions, where needed**. The current note tries to establish such a methodology, with the view of assessing the impact of the proposed technical standards and other EBA regulatory products on different categories of institutions.

7. In deciding how to best adapt their approach, and whether a differentiation of approaches would be necessary, **the specific objective of regulators and supervisors is to implement** the primary regulation and its supervisory objectives, while avoiding that the practical aspects it chooses entail any excessive burden on one or more categories of institutions.

8. **The application of proportionality takes various forms in regulation and supervision**. Regarding supervisory requirements, it could take the form of lower granularity of disclosure requirements, exemptions from additional requests for information, simplified reporting or a lower frequency of supervisory reporting, ex-ante notifications, as opposed to prior approvals, lowered or heightened materiality limits or thresholds for particular supervisory requirements, differentiated frequency and intensity of the Supervisory Review and Evaluation Process (SREP).

9. **Areas for considering proportionality**: The European legislator considers proportionality when developing new legislative proposals, whereas ESAs consider it when developing their Single Rulebook in accordance with European legislation. From their side, competent authorities are required to use their powers in the most effective and proportionate way.

10. In the context of European prudential[2] regulation, **the existing framework should act as the basis for introduction of further proportionality considerations** and on a case-by-case basis against the specific policy areas under consideration (e.g. reporting, disclosure, prudential or supervisory requirements, etc.).

11. Nonetheless, **the current note attempts to set a broad framework to assess the need for the application of proportionality**, which would be universally applicable and act as a reference point for all pieces of EBA prudential regulation.

[2] Banking regulation and investment firms regulation

12. **The focus of the ACP will be on assessments performed if proportionality measures are envisaged by the regulator and is applicable from the early stages of the development of proportionality assessments, i.e. prior to the public consultation**. Although it is not the intention of the ACP to discourage the use of proportionality assessments, the costs and benefits of conducting them should be taken into account when proportionality is not mentioned in the L1 legislation.

13. **The PAM is articulated in two steps**:

    a. Step 1 identifies the classifications that could be used when adopting proportionality measures, building on those that are already used within the EBA and those newly introduced by CRR2, to capture credit institutions' risk profiles, based on size, systemic importance, complexity, business model (broad categories that encompass more granular business models) and international activity. In a nutshell, it is proposed to rely on EBA-internal existing classifications, to which the CRR2 classifications are now added.

    b. Step 2 defines various metrics to identify whether the impact of new regulation varies among different categories of institutions.

14. Both Steps intend to provide general guidance to policy experts for conducting proportionality assessments.

15. ACP can revise this document annually, or with the periodicity that the ACP members consider more appropriate.

Questions

1. **Do you agree with the two steps that proportionality assessment addresses?**

4.2 Core methodology

Step 1: Classification of credit institutions and investment firms

1. Classification of credit institutions and investment firms is of paramount importance for ensuring that EBA treats institutions posing the same riskiness to the stability of the EU banking system, in the same way.

2. To assess the riskiness of credit institutions, the assessment distinguishes according to size, systemic importance, complexity, business model and international activity, and, for investment firms, it takes into account the business model.

3. The EBA already applies a classification of credit institutions according to their **size, systemic importance and international activity** that aligns with the classification applied by the Basel Committee on Banking Supervision (see **Classification I** below).

4. In addition, the EBA applies, in selected deliverables, the **business model classification (see Classification II below)**. Currently, the EBA assigns credit institutions to 12 business models;

however, there is a work-in-progress for the validation of these models according to internally developed indicators. Thus, the number and composition of Classification II might change if indicators suggest so.

5. Moreover, the current paper introduces **two new classifications (III and IV)** for credit institutions and investment firms, respectively.

   a. Classification III refers to **separating credit institutions according to CRR2 definition** of "Large institutions" and "Small and non-complex institutions", but introduces a further degree of granularity to it; and,
   b. Classification IV adopts the definition of Investment Firms Directive (IFD) and the Investment Firms Regulation (IFR) and allows the discretion for additional use of the **outcome of EBA's ongoing work for classifying investment firms** into business models according to their activity.

6. The classifications presented below are intended to be:

   a. as **universal** as possible to ensure applicability across, but also comparability amongst, different pieces of regulation;

   b. as **general** as possible to ensure adequate representation of each category, **with a feature of convertibility** (hereafter, **'nesting'**), into more granular categories, to retain the feasibility for a more in-depth analysis, if and when needed;

   c. as **consistent** as possible across time to allow proper examination of trends.

7. There is no priority of the application of any size classifications (classification I (BCBS) or classification III (CRR2)) over the business model classification. Instead, a size classification (I or III) should be simultaneously applied with the business models classification and the proportionality assessment results should be assessed jointly before any decision is made.

8. The decision on which of the size classifications (I or III) should apply depends on whether the assessment targets:

   a. a BCBS regulatory initiative, not yet implemented in the EU regulation (e.g. BCBS standards) that necessitates the peer review of EU and non-EU banks; or,

   b. a mandate arising from the EU regulation or any other EBA analysis that is not being conducted by the BCBS and does not imply comparison with the third-country banking systems.

Classification I: Size, international activity and systemic importance (credit institutions)

9. The EBA has long been using a classification of credit institutions according to their size and international activity for alignment with a respective classification used from the BCBS and

subsequent peer review against the non-EEA counterparties of EEA banks. This classification is available in paragraph 10 and identifies Group 1 credit institutions ('large and internationally active') and Group 2 institutions (all other institutions).

10. *Nesting*: Group 1 and Group 2 categories are further broken down into:

a. Group 1 (Large and internationally active): Global systemically important institutions (G-SIIs), other systemically important institutions (O-SIIs) and the rest; Criteria: Large (Tier 1 capital > EUR 3 billion) and internationally activity (qualitative assessment by NCAs)

b. Group 2 (criterion: not belonging to Group 1)

- Sub-classification according to size: Large (Tier 1 capital ≥ EUR 3 billion), medium-sized (EUR 3 billion > Tier 1 capital ≥ EUR 1.5 billion), and small (Tier 1 capital < EUR 1.5 billion), Criterion: not being assigned to Group 1;

- Sub-classification according to systemic importance: Other systemically important institutions (O-SIIs) and the rest (non-O-SIIs).

11. *Pure size classification*: the nesting scheme provided in paragraphs 9**Error! Reference source not found.** and 9 implies that Group 1 and large Group 2 credit institutions could be put in together in the same credit institution category while the category "rest" would comprise medium-sized and small credit institutions, i.e. "Large vs other" categorisation.

12. *Pure systemic importance classification*: the nesting scheme provided in paragraphs 9 and 9, allows the discrimination of credit institutions by only using 'systemic importance' as criterion (G-SIIs/O-SIIs).

13. *Pure international activity classification*: the classification criteria allow the discrimination of credit institutions by using the international activity as the sole criterion for splitting Group 1 and Group 2 credit institutions.

14. *Recent assignment of credit institutions according to Classification I:* The EBA has been applying Classification I, in alignment with the BCBS, for the purposes of the Basel III monitoring exercise report that it publishes on a semi-annual basis. This exercise relies on a sample of European Economic Area (EEA) credit institutions, which represent a large share of the EEA banking system. The latest round of the Basel III monitoring exercise showed that the sample is classified as follows:

Table 1: Proposed classification according to size, international activity and systemic importance

Credit institution group	Number of credit institutions	Total assets, EUR million	Share in total number	Share in total assets
Group 1	40	17,644,883.00	37.7%	82.9%
of which: G-SIIs	8	10,554,554.00	7.5%	49.6%
of which: O-SIIs	30	6,968,679.00	28.3%	32.7%
of which: other	2	121,650.00	1.9%	0.6%
Group 2 (by size)	66	3,647,609.00	62.3%	17.1%

of which: Large	20	2,633,456.00	18.9%	12.4%
of which: Medium-sized	20	624,030.00	18.9%	2.9%
of which: Small	26	390,123.00	24.5%	1.8%
Group 2 (by systemic importance)	66	3,647,609.00	62.3%	17.1%
of which O-SIIs	24	2,152,380.00	22.6%	10.1%
of which: other	42	1,495,229.00	39.6%	7.0%
TOTAL	106	21,292,492.00	100.0%	100.0%

Classification II: Business models (credit institutions)

15. The business models classification for credit institutions is predominantly an “activities-based” classification that contains some elements of “ownership-based” characteristics.

16. The vast majority of the business models require the classification of credit institutions according to the variety (e.g. global and local universal activities) and specific nature of their activities (e.g. mortgage banks, savings banks, etc.).

17. There are two business models, which additionally take into account the ownership or governance structure of the classified institution (i.e. co-operative banks and Public Development banks). For example, although the main activity of a co-operative bank may be the acceptance of savings and/or the provision of mortgages, its ownership/governance structure does not allow the assignment under “Savings banks” or “Mortgage banks”. In these business models the ownership/governance is the decisive factor.

18. *The identification of business models emerged as an important task for regulators and supervisors for three reasons*.

    a. the global financial crisis showed the need to understand at a macro level the various business models, as they determine the types of risks the institutions are exposed to.

    b. with the introduction of new capital and liquidity rules, business models are a tool to assess how different groups of credit institutions might be affected by forthcoming regulation and adapt to incorporate these new rules into their business strategies.

    c. for supervisory purposes, it is important to maintain a micro view at the institution level to assess its performance and riskiness in relation to its peers.[3]

19. *Currently there are no common business model definitions and categories across the EU for regulatory purposes*. The academic literature also attempted to classify credit institutions by business model. The studies on business model classifications focus on quantitative approaches, based on clustering methodologies applied to the financial accounts of credit institutions. This approach is rigorous because it reflects the balance sheet structure of the credit institutions;

[3] In the current framework, business model analysis is one of the key elements of the Supervisory Review and Evaluation Process (SREP) Guidelines (EBA, 2014). This is a set of guidelines regarding the application of common supervisory procedures and methodologies by all the supervisory authorities in the EU, commonly known as Pillar 2 capital add-ons. According to the SREP Guidelines, the key outcome of the business model analysis is the identification of business and strategic risks and the assessment of the institution’s business model viability and sustainability.

however, it allows only few very broad categories without further granularity with respect to specialised business models such as mortgage banks or public development banks.

20. *Consolidated vs non-consolidated business model classification:* The EBA currently classifies credit institutions at consolidated and at individual institution level.

    a. **The classification at consolidated level** implies that many individual institutions within the same banking group, which probably follow different business models, are being put together. The application of such a classification intends to mainly assess the regulation that mainly address, or is relevant to, large banking groups;

    b. **The classification at individual level**, is useful in cases where regulation targets specialised institutions, whose business models are rare or difficult to capture as part of a banking group.

    Hence, the business model classification should provide for categorising credit institutions at both consolidated and sub-consolidated level to address issues that may arise from proposed regulation that affects credit institutions in specific countries that data on consolidated level cannot capture.

21. The business model categories developed by the EBA[4] includes 12 granular business models for credit institutions that can be further grouped into four larger business model types (universal, retail-oriented, corporate-oriented and other specialized institutions) as described in the Table 1 below.

22. *Table 2* below provides the list of indicators that are to identify the wider business model groups (Universal, Retail-oriented, Corporate-oriented, Other specialised banks) and more specialized business model categories within each group.

Table 2: Business model categories and proposed Indicators, used by the EBA, to confirm business model classification

Type of business model	Business model	General indicators used for identification	Specific indicators used for identification
Diversified/ universal banks	Cross-border universal bank	Share of retail; Size of trading book; Share of derivatives on balance sheet	Share of cross-border assets
	Local universal bank		Share of local assets (within the same country or within EU)
Retail-oriented banks	Consumer credit banks (including automotive banks)	Share of retail exposures on the balance sheet	*To be identified*
	Co-operative banks / savings and loans associations		Co-operative (existing EUCLID field)
	Savings banks		Savings bank (existing EUCLID field)
	Mortgage banks taking retail deposits (including building and loan associations from Germany – *Bausparkasse*)		Share of mortgage exposures on the balance sheet
Corporate-oriented banks	Leasing and factoring, merchant banks	Share of corporate loans, share of income from fees	Share of corporate loans, share of income from fees
Specialised banks	Private banks		*To be identified*

[4] Used for an early 2020 data collections, with a references date of December 2019.

<table>
<tr><td rowspan="4"></td><td>Custodian institutions (including CSDs, that are subject to CSDR)</td><td rowspan="4">Credit institutions that do not fit in any of the above categories</td><td>Share of income from fees</td></tr>
<tr><td>Institutions not taking retail deposits (including pass-through financing)</td><td>Share of securities on the liabilities side of the balance sheet</td></tr>
<tr><td>Public development credit institutions</td><td>To be identified</td></tr>
<tr><td>Other specialised credit institutions</td><td>Credit institutions that do not fit in any of the above categories</td></tr>
</table>

23. The process of assigning each bank to a business model category follows a **hybrid approach that combines qualitative and quantitative elements**. The qualitative assessment is provided by the expert judgement of competent authorities, as they are closer to the supervised institutions and thus have a better understanding of their business. In turn, the EBA goes through this list and, if needed, challenges the classification provided by using quantitative indicators, which represent balance sheet ratios based on common reporting (COREP) and financial reporting (FINREP).

24. The hybrid approach allows a more granular classification, compared to the clustering methodology as, through the qualitative assessments, it takes into account the specificities of the banking sector in each country and other information that is not quantifiable, such as legal structure and ownership. Thus, it captures both diversified and specialised business models of EU credit institutions that a purely quantitative assessment cannot spot. This business model classification can provide a standardised benchmark for classifying institutions and can be used in a broader context, for instance for the identification of trends, risks, supervisory peer review, regulatory impact assessment and proportionality assessments.

25. The proposed classification allows each business model to be adequately populated with a representative number of credit institutions that, in turn, ensures that any applicability of proportionality would affect a meaningful number of credit institutions of share of total assets in the EU.

26. *Table 3* below shows the classification of individual institutions, the share of each business model, in terms of number of credit institutions and share of assets in the EU.

*Table 3: Credit institutions in the EU by business model category (based on final business model classification of **individual credit institutions**)*

Broad business model	Business model	Number of credit institutions	Total assets (EUR million)	Share in total number	Share in total assets
Universal	BM1: CBU banks	83	7,196,140	1.8%	33.3%
	BM2: LU banks	477	6,505,082	10.6%	30.1%
Retail-oriented	BM3: Cons and Auto	101	253,073	2.2%	1.2%
	BM4: Coop/Ass	2,511	1,798,220	55.6%	8.3%
	BM5: Savings	741	1,640,283	16.4%	7.6%
	BM6: MBs taking deposits	96	829,271	2.1%	3.8%
Corporate-oriented	BM7: Leasing and factoring, merchant banks	114	866,999	2.5%	4.0%
Other specialised institutions	BM8: Private	121	309,722	2.7%	1.4%
	BM9: Custodians	29	198,836	0.6%	0.9%

	BM10: No deposits (incl. PTF)	50	784,586	1.1%	3.6%
	BM11 and BM12: "Public Development Banks" and "Other"	193	1,239,858	4.3%	5.7%
TOTAL		**4,516**	**21,622,070**	**100.0%**	**100.0%**

Source: EBA data collection conducted as part of the Phase 1 of the Cost of compliance project.

27.*Table 3* below shows, for all credit institutions consolidated at the highest level of EEA consolidation, the share of each business model, in terms of number of credit institutions and share of assets in the EU.

Table 4: Credit institutions in the EU by business model category (based on final business model classification of ***credit institutions at the highest level of EEA consolidation****)*

Broad business model	Business model	Number of credit institutions	Total assets (EUR million)	Share in total number	Share in total assets
Universal	BM1: CBU banks	35	9,320,182	1.1%	37.4%
	BM2: LU banks	156	5,990,040	4.8%	24.0%
Retail-oriented	BM3: Cons and Auto	35	179,796	1.1%	0.7%
	BM4: Coop/Ass	2150	4,376,577	66.0%	17.5%
	BM5: Savings	618	1,555,673	19.0%	6.2%
	BM6: MBs taking deposits	35	333,624	1.1%	1.3%
Corporate-oriented	BM7: Leasing and factoring, merchant banks	51	1,144,249	1.6%	4.6%
Other specialised institutions	BM8: Private	48	129,867	1.5%	0.5%
	BM9: Custodians	15	169,612	0.5%	0.7%
	BM10: No deposits (incl. PTF)	7	92,060	0.2%	0.4%
	BM11 and BM12: "Public Development Banks" and "Other"	109	1,652,585	3.3%	6.6%
TOTAL		**3,259**	**24,944,264**	**100.0%**	**100.0%**

28.The EBA is in the process of developing specific indicators for further clustering the credit institutions into business models. Depending on the outcome of this clustering, the number of business models and/or the composition of business models could change accordingly. To this end, the ACP should closely follow the developments on the final formulation of business models' classification and take into consideration that the current classification might slightly change.

Classification III: Size and complexity (credit institutions)

29.Article 4 of the CRR2 discriminates credit institutions according to their size and complexity by explicitly defining 'Large' (Article 4(146) CRR2) and 'Small and non-complex' institutions (Article 4(145) CRR2).

30. As CRR2 constitutes a big portion of regulatory deliverables, the EBA suggests taking into account this classification when examining proportionality.

31. According to Article 4(146) of the CRR2, 'large institution' means an institution that meets any of the following conditions:

   a. it is a G-SII;

   b. it has been identified as another systemically important institution (O-SII) in accordance with Article 131(1) and (3) of Directive 2013/36/EU;

   c. it is, in the Member State in which it is established, one of the three largest institutions in terms of total value of assets;

   d. the total value of its assets on an individual basis or, where applicable, on the basis of its consolidated situation in accordance with this Regulation and Directive 2013/36/EU is equal to or greater than EUR 30 billion;

32. According to Article 4(145) of the CRR2, 'small and non-complex institution' means an institution that meets all the following conditions:

   a. it is not a large institution;

   b. the total value of its assets on an individual basis or, where applicable, on a consolidated basis in accordance with this Regulation and Directive 2013/36/EU is on average equal to or less than the threshold of EUR 5 billion over the four-year period immediately preceding the current annual reporting period;

   c. it is not subject to any obligations, or is subject to simplified obligations, in relation to recovery and resolution planning in accordance with Article 4 of Directive 2014/59/EU;

   d. its trading book business is classified as small within the meaning of Article 94(1);

   e. the total value of its derivative positions held with trading intent does not exceed 2 % of its total on- and off-balance-sheet assets and the total value of its overall derivative positions does not exceed 5 %, both calculated in accordance with Article 273a(3);

   f. more than 75 % of both the institution's consolidated total assets and liabilities, excluding in both cases the intragroup exposures, relate to activities with counterparties located in the European Economic Area;

   g. the institution does not use internal models to meet the prudential requirements in accordance with this Regulation except for subsidiaries using internal models developed at the group level, provided that the group is subject to the disclosure requirements laid down in Article 433a or 433c on a consolidated basis;

   h. the institution has not communicated to the competent authority an objection to being classified as a small and non-complex institution;

   i. the competent authority has not decided that the institution is not to be considered a small and non-complex institution on the basis of an analysis of its size, interconnectedness, complexity or risk profile.

33. Those institutions that do not belong to any of the two categories defined above, are assigned to an 'Other institutions' category.

Classification IV: Business models (investment firms)

34. The Investment Firms Directive[5] and the Investment Firms Regulation (IFR)[6] have recently introduced a "size-and-activities-based" classification of investment firms, built on the principle of "same business, same risks, same rules", i.e. investment firms that have the same type of business are expected to have the same risks and, thus, to follow the same rules. Accordingly, the whole population of investment firms is divided into several classes and subject to different requirements (Table 5 below).

Table 5: Investment firms classification by size and activities under IFR/D

Services/metrics	Thresholds	Conditions
Class 1 IFs (alternative criteria) - licencing as credit institutions required[7]		
MiFID services 3 or 6[8]	Assets equalling or exceeding €30bn	Excluding commodity and emission allowance dealers, collective investment undertakings or an insurance undertakings
MiFID services 3 or 6	Assets below €30bn, but part of a group where the sum of the assets of all other firms that perform MiFID services 3 or 6, and whose assets are less than € 30bn, equals or exceeds €30bn	Excluding commodity and emission allowance dealers, collective investment undertakings or an insurance undertakings
MiFID services 3 or 6	Assets below €30bn, but part of a group where the total assets of the group undertakings that perform MiFID services 3 or 6 – regardless of their size – equals or exceeds €30bn	Excluding commodity and emission allowance dealers, collective investment undertakings or an insurance undertakings; subject to the consolidating supervisor's designation to address potential risks of circumvention and potential risks for the financial stability of the Union.

[5] Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU (OJ L 314, 5.12.2019, p. 64–114).

[6] Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014 (OJ L 314, 5.12.2019, p. 1–63).

[7] Details are omitted, please make reference to Article 4(1) CRR as amended by Art 62(3) IFR.

[8] Dealing on own account and underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis, according to Section A of Annex I to Directive 2014/65/EU of the European Parliament and of the Council.

Class 1-*minus* (a) IFs (alternative criteria) - subject to CRR and IFD[9]		
MiFID services 3 or 6	Assets equalling or exceeding €15bn, excluding certain non-EU subsidiaries	Excluding commodity and emission allowance dealers, collective investment undertakings or an insurance undertakings
MiFID services 3 or 6	Part of a group where the sum of the assets of all other firms that perform MiFID services 3/6 and whose assets are less than €15bn, equal or exceed €15bn, excluding certain non-EU subsidiaries	Excluding commodity and emission allowance dealers, collective investment undertakings or an insurance undertakings
MiFID services 3 or 6	Assets equalling or exceeding €5bn	Excluding commodity and emission allowance dealers, collective investment undertakings or an insurance undertakings; subject to the consolidation supervisor's designation in order to address systemic risks considering either of the following: failure or distress of the firm could lead to systemic risk; the firm is a clearing member; the classification is justified base on size, nature, scale and complexity
Class 1-*minus* (b) IFs - subject to CRR and IFD[10]		
MiFID services 3 or 6	Not following under any of the cases above	Part of a group including a credit institution and subject to consolidated supervision under CRR, upon the IF's request and provided that it would not negatively affect own funds and is not motived by regulatory arbitrage
Class 3 IFs (all criteria must be fulfilled) - subject to IFR and IFD (light touch regime)[11]		
Assets under management	< €1.2bn	
Client orders handled	< €100m/day (cash trades) or €1bn/day (derivatives)	
Assets safeguarded and administered	0	
Client money held	0	

[9] Details are omitted, please make reference to Article 1(2) IFR and Articles and 5 IFD.

[10] Details are omitted, please make reference to Article 1(5) IFR.

[11] Details are omitted, please make reference to Article 12 IFR.

Daily trading flow	0
Net Position Risk or Clearing Margin Given	0
On- and off-balance-sheet total	< €100m
Total annual gross revenue from investment services and activities	< €30m
Class 2 IFs - subject to IFR and IFD	
All other Ifs	

35.According to the IFR, the largest and most complex investment firms ("Class 1") are to be treated as credit institutions, due to their systemic importance. They are therefore required to obtain a banking license and become supervised by banking supervisors. Since these investment firms take on the status of credit institutions, for the purposes of this methodology, the same classification[s] should apply to them as per [the Classification 1] outlined in this document.

36.The other types of large and complex investment firms ("Class 1 minus") can be divided into two sub-categories - "Class 1-*minus* (a)'' and "Class 1-*minus* (b)" based on IFR/D[12]. Given the common denominator of these investment firms in terms of service provided (MiFID services 3 or 6), and the fact that they are subject to the same legislation (CRR[13] and titles VII and VIII of CRD on prudential supervision and disclosure by CAs and titles I, II, III, VI, VII and VIII of IFD), also with the view of avoiding excessive granularity, this methodology shall consider these firms as belonging to a single class.

37.Conversely, investment firms that belong to Class 2 and Class 3 according to the IFR, shall also be treated as two separate classes under this methodology.

38.**In sum, this methodology proposes the following classification for investment firms**

[12] Please mind this is only an informal denomination for the sub-categories of Class 1, which are not legally designated as such under IFR/D.

[13] Except for Art. 7CRR, which does not apply for Class 1 minus (b) investment firms.

Table 6: Table of correspondence between IFR/IFD classifications and this methodology

IFR/IFD classification	Classification for the purposes of this methodology
Class 1 investment firms	Classified in accordance with the parts of this methodology applicable to credit institutions[14]
Class 1-*minus* (a) investment firms	Category 1 investment firms (MiFiD 3 and 6 activities)
Class 1-*minus* (b) investment firms	
Class 2 investment firms	Category 2 investment firms
Class 3 investment firms	Category 3 investment firms

39. As mentioned above, the classification is based on a mix of size and activities criteria. As a result, the performance of certain activities would per se disqualify the firm from falling under a certain category (for example, activities implying holding clients' moneys or safeguarding and administrating clients' assets, would disqualify an IF from falling into Category 3), while in other cases the size consideration comes into play (for example a firm providing services that implies managing assets could fall under either category 2 or category 3, depending on volumes).

40. Should policy experts judge that, for specific deliverables, there is a need to apply a pure "activity-based" classification, the PAM may also include the business model classification proposed by the EBA (Annex to the EBA Opinion EBA-OP-2017-11, in response to the European Commission's call for advice of 13 June 2016 29 September 2017, paragraph 396, Table 22). Where applicable, EBA's business model classification should be conducted in parallel with the IFR/IFD classification.

Provisions on population of the classes

41. *Retrieval of available information*: Where available, the EBA will retrieve data for all types of Classifications from its database of supervisory reporting without requesting additional input from competent authorities.

42. *Frequency of stocktaking exercises for unavailable information*: Should the EBA do not have the full set of information, i.e. Classifications II and IV, it will conduct a stocktaking exercise on an annual basis with reference date as of 31 December of each year. If the information is not available for the last reference date, the classification will rely on the last available reference date.

43. *Reclassification of institutions*: to avoid occasional changes of categories within the same type of classification, the competent authorities should reclassify credit institutions, should indicators indicate that a credit institution belongs to another category for two consecutive years.

[14] A review of the Business Model classification for Class 1 IFs might become appropriate at a later stage, after more information is made available regarding the number of the entities that will require a license as credit institutions, and the development of their business models after such license is granted.

44. *Treatment of reclassified institutions for time series analyses*: the EBA will treat the newly reclassified credit institutions as being in the new category for the entire set of time series data.

Step 2: Definition of the metrics

45. The objective of this Step is to suggest a set of predefined metrics to evaluate the impact of regulations on institutions that could result in a proportional application of certain regulations.

46. Without the definition of impact metrics, it is not feasible to assess whether there are sizable variances in the impact amongst the different categories of institutions. Predefined metrics will ensure the effective and swift conduct of proportionality assessments, for certain pieces of regulation, as well as some degree of comparability between various proportionality assessments.

47. Due to the novelty of such impact metrics, a back-testing concerning their appropriateness might be necessary.

48. Furthermore, depending on the regulation in question, additional tailor-made metrics could be useful and even necessary to either complement or replace the predefined metrics.

Main principles for the presentation of results

Principles for the presentation of results that are already used by the EBA are the following:

49. *Relativity*: All costs and benefits generated by a new or revised regulation are by definition incremental costs, i.e. they are additional to the existing situation and would not emerge without the regulatory intervention. Therefore, the estimated impact should be expressed in relative terms, as a percentage of the current requirements or measures, and not in absolute terms (e.g. "ΔMRC"/"Current MRC", "ΔOperational cost"/"Current operational cost").

50. *Averaging*: The estimated results should be expressed as weighted averages. Besides the weighted average impact, the dispersion of the impact could provide useful insight.

51. *Static balance sheet assumption*: Most EBA impact assessments assume a static balance sheet approach, i.e. any measures that credit institutions might undertake to comply with revised or new regulations until their implementation date are not taken into account. This approach is also suitable for proportionality assessments.

52. *Consistency of metrics across time*: The consistency of impact metrics, together with the constant composition of bank groups, would allow time series analysis to display the evolution of the impact for a constant sample of institutions over time. In addition, data quality improves over time as institutions' ability to quantify the impact enhances. Time series analysis also allows the evaluation of how compliance with certain regulations until their implementation date improves over time.

Benefit analysis

53. Benefits are typically less easy to measure, more widespread and long-term than costs, although, in some instances, they could immediately and directly accrue to the affected institutions. For example, rules aimed at simplifying previously existing obligations, or at clarifying them, could reduce compliance costs (also by way of enhancing standardization) and have immediate benefits for the market players, beside possibly reducing barriers to entry for comparatively smaller institutions. While the envisaged benefits are often stated as the reason for a new or revised legislation, directly in the level 1 text, they can further be elaborated upon in the level 2 regulation, also with the view of strengthening acceptance and legitimacy of the means chosen to attain the objectives of the level 1 legislation. As for costs, when reliable estimates are not possible, a qualitative assessment could usefully be deployed. The assessment of benefits should target various stakeholders, not only institutions and supervisory and resolution authorities, that are directly affected, but also other stakeholders (e.g. depositors, consumers, etc.).

54. Benefits can also be assessed vis-à-vis the entirety of financial system and its stability. For instance, increased capital levels for banks could render the financial sector, as a whole, more resilient to the current crisis, not only its individual components.

55. The assessment of benefits is particularly important when the EBA provides recommendations to the European Commissions as to the implementation of new regulation in the EU law.

56. Benefits for various stakeholders could, *inter alia*, stem from rules that establish harmonised approaches and align supervisory expectations as these contribute towards a level playing field. A qualitative assessment of these benefits should take into consideration the extent to which these rules create equal conditions and enhance the comparability of institutions for supervisory authorities as well as for external stakeholders.

57. The concept of proportionality does not contradict a level playing field; a well-defined proportionate application of regulation (e.g. discriminating between business models, complexity and risks) can even enhance the level playing field among institutions.

Benefits to consumers

58. A qualitative assessment of benefits for consumers should take into account the variety of consumer groups[15]. Consumer benefits are the expected final outcomes imputable to the regulatory intervention and leading to a reduction of assumed disadvantages for consumers (for example: time saved; future gains from innovation; reduction of market disruption; psychological benefits; greater trust in the products and services offered; lower prices).

59. While the proportionality principle will allow a broader range of financial institutions being subject to an equal level playing field according to their risk profile, complexity and size,

[15] The assessment of consumers' benefits, which is intended to be conducted on a qualitative basis for the purpose of this methodology, should only be conducted on an additional, ad hoc basis, where they are deemed to be evidently perceptible. EBA products concerning very specific, complex technical issues would typically not require such type of assessment.

consumers could benefit from a reinforced competition in the banking market. Moreover, the increased competition can bring advantages on different areas: specialization on different categories of products/costumers, easier access to funding for certain costumers (for instance, costumers in rural areas could benefit from the financial services provided by the cooperative sector) and lower funding prices.

60. Furthermore, consumers could benefit from the reduction of regulatory burden due to lower prices or as financial institutions could invest more on business and costumers' strategies (for instance, digitization).

61. Consumers could also benefit from a more efficient and trustworthy financial supervision based on the principle of proportionality, and as consequence, from a more stable financial framework and higher efficiency in the use of public resources.

Benefits for authorities

62. The definition of a proportionate regulatory and supervisory framework could increase the efficiency in the supervisory planning and strategy setting and result in enhanced effectiveness.

63. A more risk-oriented approach, focused on the main features of the supervised institution and reallocation of staff to the institutions with more complex business models, could allow authorities to realise efficiency gains by strengthening the focus according to specificities and risk profile without the need to increase the number of staff and respective (public) expenses. Therefore, a risk-based proportionality principle could foster a more effective supervision in terms of both preventing banking crisis and allocating of public resources.

64. In this regard, through the principle of proportionality, competent authorities can devote greater efforts and resources to complex, large, high risk institutions aiming at reducing the frequency and impact of systemic crisis. Subsequently, a reduction in the use of public budget would be expected.

65. Other, more direct benefits could stem from a less complex regulatory reporting with increased focus on the most relevant risk areas. Less data points in data reporting potentially increases the quality of the reports, shortens the time for running formal and logic controls before making reports available to users, increases operational efficiency of the institution shortening the time to respond to the authorities' requests in daily communication.

66. More generally, the application of proportionality regarding information requirements and selected supervisory activities may not only free up time (both from institutions' and authorities' perspectives) but may enhance the quality of the input and respective analysis. One size fits all requests and information might not in all cases add a measurable benefit neither regarding the oversight of small and specialised institutions, nor with a view to horizontal evaluations, the results of which may at times be distorted to some extent by collecting and comparing data across all types of institutions with different business models and market activities for the same analytical purpose.

67. The definition of a proportionate regulatory and supervisory framework could also increase the efficiency in the supervisory decision making. The strengthened focus on the specificities of a supervised institution's (market) activities and risk profile may facilitate a more efficient and effective analysis and decision-making concerning e.g. business model-inherent risks and transactions. In this context, peer groups of institutions to better understand business model characteristics, associated performance and risks may be sharpened and related assessments built on KPI and KRI more tailored to the institutions profile, which in turn would generate a more accurate result when comparing any chosen set of indicators across a peer group sample.

68. Knowledge and expertise gains can be considered as further benefits. A detailed understanding of business models and activities facilitated by better time management and more specialised peer group comparisons could assist authorities in performing more frequent in-depth risk assessments and expanding expertise e.g. with regard to the feasibility, credibility and impacts of recovery and resolution options, the challenging of stress testing scenarios etc., which in turn would foster more target-oriented co-operation among different authorities, and may further increase competency in terms of cross-border supervision.

69. Notwithstanding, costs and benefits need to be weighed against a detailed monitoring of risk that is at times universally relevant regardless of idiosyncrasies particular to individual business models (e.g. for IT and cybersecurity risk), as opting out of common exercises due to proportionality reasons in these cases may harbour unwarranted hazards. The simplification and standardisation of processes therefore needs to be applied with proportionality itself.

70. The following cost concepts – which are not mutually exclusive and often overlapping – should serve only as broad classification to provide an overview. These concepts are either already used for impact assessments or could be used by EBA for proportionality assessments, whereby the cost/benefit concepts are primarily depending on the purpose of the impact assessment and/or proportionality assessments.

(i) Relation between the legislation and the costs considered (direct, indirect and enforcement costs)

- **Direct costs**: The extent of direct costs on credit institutions and investment firms is the most straightforward and easiest to measure (e.g. impact on regulatory capital and liquidity). These include administrative expenses, which can be categorised based on FINREP (FINREP 02.00 and 16.8)[16].
- **Indirect costs**: These are costs incurred by other stakeholders that are not under the direct scope of the regulation (e.g. customers, wider economy). Major indirect costs of banking regulation include effects on lending conditions or increased transaction costs. Indirect costs also comprise secondary costs that include unintended effects like induced

[16] Staff expenses; Other administrative expenses, which can be further divided up into (FINREP 16.8): Information Technology expenses (IT outsourcing and IT expenses other than IT outsourcing); Taxes and duties (other); Consulting and professional services; Advertising, marketing and communication; Expenses related to credit risk; Litigation expenses not covered by provisions; Real estate expenses; Leasing expenses; Other administrative expenses – Rest.

risk trade-offs (reducing the risks in one area may create higher risks in another). Indirect costs of regulations that affect other stakeholders and the wider economy materialize as macroeconomic impacts e.g. effects on GDP growth, lending or financial stability and can be measured accordingly (see paragraph "Impact on the wider economy including impact on lending and impact on stakeholders" below).

- **Enforcement costs**: Also, supervisory authorities face costs to effectively monitor and enforce compliance with new or revised legislations including costs for gathering and collecting new information and data and costs for further training of supervisors. If supervisory experience shows that a specific requirement, such as institutions' obligations to submit certain information, does not significantly improve the depth of the authorities' assessments, while being costly to gather and report for credit institutions or investment firms, EBA should evaluate the discontinuation of this requirement.

(ii) Frequency of occurrence of the costs (one-off vs. recurring costs): While one-off costs occur only once to adjust and adapt to the changed rules with the entry into force of a new regulation, recurring costs have to be borne on a regular basis in the future.

(iii) Internal costs vs costs due to need for external support (e.g. when the new regulation imposes the performance of activities that the affected institutions cannot provide in-house).

71. Possible metrics to approximate the impact on cost of compliance and the implementation challenges are the following:

(i) Change in explicit costs (in EUR and relative terms): Estimated increase or decrease in compliance costs due to new regulation in EUR or in % of current costs ("ΔCost of compliance"/"Current cost of compliance)

(ii) Change of implicit costs (in human hours): Estimated hours to complete a reporting template etc. (incl. time spent reviewing the instructions)

(iii) Qualitative assessment: Measurement of implementation challenges with rough categories via a questionnaire (easy to implement, somewhat challenging to implement, very challenging to implement)

Predefined metrics

72. ***Impact on regulatory capital and liquidity*:** As quite a few reforms of the banking regulation framework directly affect either the capital component or the calculation of risk weighted assets, the most straightforward way to measure the impact of regulation on institutions is by looking at the change of regulatory capital, capital shortfalls and capital ratios. Depending on the regulation in question, also the impact on liquidity ratios like LCR and NSFR could be measured.

a. Impact on minimum capital requirements (CET1, Tier 1, Total Capital) and Leverage Ratio requirements (credit institutions only)

73. The minimum required capital (MRC) used in the calculation for impact assessments could be either the Pillar 1 capital requirement only, the overall capital requirement (Pillar 1, P2R, combined buffer requirement) or the overall capital demand (Pillar 1, P2R, combined buffer requirement, P2G) for each capital layer respectively (CET1, Tier1, Total capital).

74. However, the technical implementation of the Pillar 2 requirements and guidance may vary across EU countries. Furthermore, Pillar 2 requirements and guidance, as well as the combined buffer requirements, may not be stable over time, which is a caveat when assessing the impact of regulation with a future implementation date.

75. In addition, certain new regulations have an impact on the interaction between risk-based and leverage ratio capital requirements. As a result, not only the effect on minimum capital requirements but also the leverage ratio requirement should be considered.

Table 7: Change in MRC, as a percentage of the current MRC

Bank group	CET1	Tier 1	Total capital	LR
All credit institutions				
Classification III: According to business model classification				
Classification I: According to size classification (Group 1 / Group 2)				
Classification II: According to CRR2 classification (Large, SNCI, Other)				

b. Impact on capital ratios (CET 1, Tier 1, Total Capital), liquidity ratios (NSFR and LCR) and leverage ratio (Credit institutions only)

76. The calculation of the impact on capital ratios (CET1, Tier1, Total Capital) in basis points or comparison of the current vs. the capital ratios after implementing the new regulation.

Table 8: Capital ratios

Bank group	Capital ratios — Current				Capital ratios — New regulation			
	CET1	Tier 1	Total capital	LR	CET1	Tier 1	Total capital	LR
All credit institutions								
Classification III: According to business model classification								
Classification I: According to size classification								
Classification II: According to CRR2 classification (Large, SNCI, Other)								

c. Impact on capital shortfalls (Credit institutions only)

77. Capital shortfalls are estimated as the difference between the revised MRC metric and the current actual capital set aside by the EU credit institutions. As mentioned above, the MRC could be defined in different ways.

Table 9: Shortfall of current available capital, due to the implementation of a certain regulation

Bank group	Capital shortfalls		
	CET1	Tier 1	Total Capital
All credit institutions			
Classification III: According to business model classification			
Classification I: According to size classification			
Classification II: According to CRR2 classification (Large, SNCI, Other)			

78.*Impact on the cost structure of credit institutions and investment firms*: Besides the effect on regulatory requirements, revised or new regulations often induce increases in staff and other administrative expenses. EBA will evaluate to include estimations of the relative change in expenses according to the source of the cost – either by using the breakdown provided by FINREP 02.00 Administrative expenses (comprised of Staff expenses and Other administrative expenses, for the latter FINREP 16.8 offers a further breakdown) or by using a breakdown targeted to the regulation in question – when performing proportionality assessments. However, a reliable estimation of changes by source of expense in term of explicit costs could prove challenging and too burdensome for credit institutions, especially regarding completely new pieces of regulation. Hence, the impact could be more effective estimated as change of implicit costs (in human hours) or even by qualitative assessment.

79.*Impact on the wider economy including impact on lending and impact on stakeholders*: These analyses focus on the interactions between the financial sector and the real economy. Some previous economic impact assessments done by the EBA were developed in collaboration with the ECB in order to benefit from already developed and established econometric models.

80.For example the analysis of the macroeconomic impact of the finalisation of Basel III was performed using two alternative approaches:

a. a new approach relying on the growth-at-risk (GaR) concept, and

b. the long-term economic impact (LEI) approach also used in previous studies by the BCBS.

81.In both approaches, the costs for the reform are derived as the loss in GDP growth as a result of the reduction in lending that occurs in the initial years following reform implementation. More specifically, the GaR approach estimates the long-term benefits of the reforms as the difference in GDP growth under adverse economic conditions with and without the implementation of the reform, whereas the LEI approach derives the costs/benefits of the reform as the product of the associated reduction in crisis probabilities and the average costs of a banking crisis.

Data availability

82.As far as possible, the EBA will use already existing data from its database of supervisory reporting without requesting additional input from competent authorities or institutions. If data availability is insufficient the use of proxies should be evaluated before launching an additional

data request. However, for new pieces of regulation additional information requests are often the only viable source to gather reliable data.

83. In case of need for additional information requests, EBA will evaluate whether there is need for a quantitative data collection, a qualitative questionnaire, or a combination of these tools for the conduct of the assessment.

84. The data collection should not be disproportionate also having in mind the complexity of the regulation itself. Among others, EBA should consider the limitation of the burden for institutions and supervisors, e.g. data requests from smaller institutions should be based on a reduced set of required data fields compared to large and medium institutions, wherever possible. In certain cases (for example for the estimation of the administrative cost that arises from implementing the new regulation), the EBA could ask the provision of range estimations, as opposed to point estimations.

85. While a quantitative data collection provides more precise information, smaller institutions could face difficulties in completing quantitative templates which could result in incomplete or unreliable data.

86. Qualitative questionnaires are easier to complete, which increases the chances to receive information. Furthermore, the combination of predefined answers and open-ended questions allows the collection of different types of information compared to a purely quantitative data collection. However, the data collection via questionnaires is not as granular and precise as the submission of numerical inputs.

Data quality, interpretation and further usage of the results

87. In general, if conclusions regarding a proportional application of certain pieces of regulation are drawn from quantitative impact studies, it should be considered that the information reported by institutions tend to be on the conservative side, particularly when institutions are asked to estimate the impact of completely new pieces of regulation.

88. Any results should be interpreted with caution, taking into account potential data quality issues. Depending on the complexity of regulation in question, institutions themselves will have to use a number of approximations, assumptions and shortcuts to provide the requested information.

89. The experience from past data collections also shows, that when in doubt about the interpretation of specific elements of the regulation, or lack of resources for the interpretation of the instructions of the data collection, institutions tend to make conservative reporting choices. Overall, simplifications for any data requests and assumptions made by institutions usually result in an overestimation of the impact.

90. To better understand the reported data quality, besides automated data quality checks, a “Data Quality Indicator” to be completed by the participants of the data collection themselves that

describes the reliability of the information provided (e.g. rough estimate/reliable estimate/exact value) could be used.

91. To effectively use the quantitative information and to transpose variances in the impact of a certain regulation amongst the different categories of institutions into a proportional regulatory framework the definition of thresholds or other indictors will be evaluated.

Questions

2. **Do you agree with Classification I to be used for proportionality assessment? Given that quantitative thresholds are also being used for the classification of credit institutions, the EBA would welcome suggestions for the regular recalibration of these thresholds, in view to maintain the sample size and composition relatively stable over time.**

3. **Do you agree with Classification II to be used for proportionality assessment? Do you consider the broad business model categories as adequately representative for proportionality assessment?**

4. **Do you agree with Classification III that integrates CRR2 classification of credit institutions?**

5. **Do you agree with Classification IV for investment firms to be used for proportionality assessment, where relevant? Do you consider necessary the EBA to establish an additional classification according to the size of investment firms?**

6. **Do you agree with the predefined metrics above? Do you have any further suggestions for the presentation of results, the addition of new metrics or the modification of the proposed ones?**

EUROPEAN BANKING AUTHORITY

Annex - Summary of questions

1. **Do you agree with the two steps that proportionality assessment addresses?**

2. **Do you agree with Classification I to be used for proportionality assessment? Given that quantitative thresholds are also being used for the classification of credit institutions, the EBA would welcome suggestions for the regular recalibration of these thresholds, in view to maintain the sample size and composition relatively stable over time.**

3. **Do you agree with Classification II to be used for proportionality assessment? Do you consider the broad business model categories as adequately representative for proportionality assessment?**

4. **Do you agree with Classification III that integrates CRR2 classification of credit institutions?**

5. **Do you agree with Classification IV for investment firms to be used for proportionality assessment, where relevant? Do you consider necessary the EBA to establish an additional classification according to the size of investment firms?**

6. **Do you agree with the predefined metrics above? Do you have any further suggestions for the presentation of results, the addition of new metrics or the modification of the proposed ones?**