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Draft ITS on the 2024 Benchmarking

Draft Implementing Technical Standards on amending Commission Implementing Regulation (EU) 2016/2070 with regard to the benchmarking of internal models

Contents

1. Responding to this consultation

The EBA invites comments on all proposals put forward in this paper and in particular on the specific questions summarised in section 5.2.

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 views expressed/ rationale proposed; and
- describe any alternative regulatory choices the EBA should consider.

Submission of responses

To submit your comments, click on the 'send your comments' button on the consultation page by 28.02.2023. 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.

2. Executive Summary

Article 78 of Directive 2013/36/EU (CRD) requires competent authorities to conduct an annual assessment of the quality of internal approaches used for the calculation of own funds requirements. To assist competent authorities in this assessment, the EBA calculates and distributes benchmark values to CAs that allows a comparison of individual institutions' risk parameters. These benchmark values are based on data submitted by institutions as laid out in Commission Implementing Regulation (EU) 2016/2070 which specifies the benchmarking portfolios, templates and definitions to be used as part of the annual benchmarking exercises.

For the 2024 benchmarking (BM) exercise the following changes are suggested:

- For IFRS 9 (IFRS), to integrate the portfolios and set of templates dedicated to the benchmarking on High Default portfolios ("HDPs"). As the current IFRS 9 exercise is focused only on low default asset classes ("LDPs") and specifically to a list of identified common counterparties, the current collection is not able to ensure a comprehensive view of the existing variability of the ECL outcomes and the related impacts on the amount of own funds and regulatory ratios, as a large part of the financial instruments subject to the IFRS 9 impairment requirements are out of the scope of the exercise.

- For credit risk (CR), it is proposed to add a limited number of HDP portfolios such that the CR and the IFRS9 templates relate to a common list of portfolios for which the metrics specified in the different templates should be reported. In addition, a minor change is proposed in Annex 4 to clarify the market value of collateral that should be reported in the IRB benchmarking templates.

- For market risk (MR), templates and instructions for the two remaining components (Default Risk Charge - DRC, Residual Risk Add-On - RRAO) of the alternative standardised approach (ASA) are introduced, alongside with targeted amendments to the existing templates and instructions of the sensitivities-based-method (SBM) collection. In addition, an extension of the existing set of portfolios is suggested to benchmark banks' implementations of the regulatory SBM aggregation logic. Finally, a series of instruments were amended, for the usual update of expired (or close to maturity) instruments and to fix some issues reported in the previous exercise.

The EBA supervisory benchmarking serves three major objectives, the first one being the abovementioned supervisory assessment of the quality of internal approaches. However, it also provides a powerful tool as well to explain and monitor RWA variability over time and horizontally and to indicate related implications for prudential ratios and the relevant policy. Lastly, the benchmarking results also provide the banks with valuable information on their risk assessment compared to other banks' assessment on comparable portfolios.

Next steps

The Annexes presented in this draft ITS replace or are added to the existing set of templates in order to create a consolidated version of the updated draft ITS package.

These draft ITS will be submitted to the Commission for endorsement before being published in the Official Journal of the European Union. The technical standards will apply 20 days after publication in the Official Journal.

3. Background and rationale

3.1 IFRS 9 templates

1. The benchmarking exercise has gradually been extended to the accounting dimension in order to assess the most relevant drivers of variability and related impacts on the prudential ratios arising from the implementation of the IFRS 9 ECL model. For these reasons, Regulation 2016/2070 has been amended [1] to integrate additional templates on IFRS 9, even if the data collection has focused so far only to the low default portfolios ("LDPs") [2].

2. Given its limited scope, the current data collection is not able to ensure a comprehensive view of the existing variability of the ECL outcomes and the related impacts on the amount of own funds and regulatory ratios, as large part of the financial instruments subject to the IFRS 9 impairment requirements (i.e. the high default portfolios, "HDPs") are currently out of the scope of the IFRS 9 benchmarking exercise and considering that, in general terms, the variability of banks' practices and ECL outcomes on HDPs is expected to be higher than on the LDPs. Moreover, focusing only on LDPs prevents a broader understanding of the different methodologies, models, inputs and scenarios that can lead to material inconsistencies in ECL outcomes.

3. For these reasons, as stated in the EBA IFRS 9 monitoring Report published in November 2021 and following the staggered approach presented in the IFRS 9 roadmap[3] changes are suggested to Regulation 2016/2070 in order to integrate additional portfolios and templates dedicated to HDPs.

4. It is worth reminding that in line with the approach taken for the LDPs the EBA has launched a 3rd ad-hoc data collection - complemented by a qualitative survey - to test the proposed quantitative templates and to gather additional insights on IFRS 9 modelling practices specific to HDPs.

5. While the analysis of the submissions by the banks are still ongoing, first preliminary evidence of this exercise provides confidence about the type of data to be collected[4]. Nonetheless, further results that may arise from the mentioned data collection as well as input from respondents to this consultation will be taken in due account for the finalization of the final templates specifying the data collection for IFRS benchmarking for the HDPs.

3.2.1. Scope of the IFRS 9 benchmarking on HDPs

6. The IFRS 9 benchmarking on HDPs implies several changes in logic of the analysis as it involves a comparison of the model outputs on commonly defined portfolios that do not necessarily have the

[1] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02016R2070-20220720

[2] In order to test the quantitative templates and calibrate the data request, the EBA performed in 2019 and 2020 two ad hoc quantitative data collection, accompanied by a qualitative questionnaire on modelling aspects. The main findings and conclusions of these exercises have been published in the "EBA IFRS9 monitoring report" in November 2021

[3] https://www.eba.europa.eu/eba-publishes-its-roadmap-on-ifrs-9-deliverables-and-launches-ifrs-9-benchmarking-exercise

[4] Feedback on the ad hoc exercise will be ensured to banks which participated in the ad hoc data collection at a later stage.

same level of risk and that are less easily comparable with respect to the common counterparties for low-default portfolios. A clear definition of the scope of the data collection and the related data points to be collected plays therefore a key role in ensuring sound and meaningful analysis.

7. The IFRS 9 benchmarking exercise on HDPs leverages as a starting point on the list of common portfolios previously defined for the purpose of the IRB credit risk benchmarking exercise for HDPs. Nonetheless, considering the potentially significant workload for institutions and competent authorities, as this stage it is deemed more proportionate and aligned with the envisaged staggered approach to collect the whole set of information ("full data collection") only for a limited number of HDPs asset classes and to use only the more relevant characteristics – i.e., "split" - for defining the homogenous portfolios in scope. Moreover, additional portfolios need to be introduced to cater for the specificities of the IFRS 9 data needs.

8. Further extensions of the scope of the full data collection will be likely required in the following exercises as well as further considerations could be given to the envisaged granularity of the portfolios defined and the potential combination of some of the envisaged splits.

Scope and Level of splits

9. It is EBA's intention to extend the IFRS 9 benchmarking exercise to all the HDPs exposures class already defined for the credit risk benchmarking purposes, i.e. Corporate ("CORP"), Corporates which are SMEs (SMEC), Other retail SME exposures (SMOT), Retail SMEs exposures secured by real estate (RSMS) and ii) Retail mortgages (MORT), Retail - Qualifying revolving (RQRR).

10. Nonetheless, following a staggered approach and for limiting the reporting burdens for institutions, a full data collection (involving all Level 2 splits) is envisaged only for the asset classes CORP, SMEC and SMOT while for the others information are required only at more aggregated level.

11. Moreover, as not all the portfolio splits envisaged for the credit risk benchmarking are considered at the moment relevant for the IFRS 9 benchmarking purposes, the next IFRS 9 exercise will focus only on some selected portfolio breakdown (Geographical area and NACE code) while an additional portfolio split will be included ('IFRS 9 collateralisation' for which the definition is contained in Annex 2) in order to take into account the differences in the eligibility of collateral between the accounting and prudential framework. The list of the final portfolios in scope for IFRS 9 is contained in Annex 1.

12. The choice to propose a full data collection also for the asset classes SMEC and SMOT – for which a full reporting was not required during the 3rd ad hoc exercise is justified by the fact that for those asset classes the Level 2 split is already aligned with CORP therefore further testing of the information requested is not deemed necessary.

13. It is also worth to highlight that - differently from the 3rd ad-hoc data collection - the information at geographical breakdown level is envisaged for all the countries (i.e. the same approach of the credit risk benchmarking) and not limited to the EU zone. Nonetheless, in order to ensure a more proportionate approach this information would be requested only for all the jurisdictions where institutions have material exposures.

14. On the other hand, the definition of homogenous portfolio will not envisage at this stage any combination of Level 2 portfolio splits (e.g., Geographical area or NACE code combined with IFRS 9 collateralisation status). While it is acknowledged that such a combination may lead to more meaningful benchmarking results, this choice is driven by the consideration of ensuring a smooth extension of the benchmarking exercise to HDPs without further complexity and ensuring a learning by doing approach to reporting institutions. However, this choice could be reconsidered in the final publication of the future ITS also in the light of the comments and feedback that will be received in this regard.

Questions for consultation

IFRS Q1: Do you see any issues or lack of clarity in the definition of the scope of the exercise?

IFRS Q2: Do you agree with the proposed list of benchmarking portfolios relevant for IFRS9? Do you believe that other dimensions should be used in the level 2 split? Do you have concerns on the alignment with the IRB benchmarking portfolios?

IFRS Q3: Do you agree with the proportionate approach taken for the geographical area envisaged by the exercise? How should the materiality thresholds be defined?

IFRS Q4: For the sake of allowing meaningful benchmarking observations, do you see any issue in not considering any combination of split at this stage? Or do you see merits in combining some dimension? If yes, which combination of split should be considered?

3.2.2 Highlights on IFRS 9 templates and data points

15. The main objective of the proposed set of templates is to collect quantitative data that would allow to perform sound and meaningful analyses on the ECL outcomes among homogeneous portfolios, as well as to compare data input and other relevant information that can explain any source of undue variability of the outputs of the IFRS 9 models.

16. The design of the quantitative template leverages to the extent possible on the one already envisaged for LDPs, even if the information is collected for common portfolios instead of common counterparties. Similarly to LDPs, these templates should allow to investigate some important dimensions:

   a. The analysis of the variability of the ECL and IFRS 9 risk parameters (C.115.00)

   b. The analysis of the variability of the macroeconomic forecasts and the interaction between the lifetime PD curve and the macroeconomic scenarios (C. 118.00 and C.116.00)

   c. The analysis of variability of practices in the SICR assessment (C.117.00)

The analysis of the variability of the ECL and IFRS 9 risk parameters

17. Experience gained in the past collection on LDPs shows that not all the institution are able to disentangle the effect of MOC and supervisory measures from the IRB 1Y PD. Moreover, not all the

banks derive IFRS 9 PD lifetime term structure from the 1Y PD IRB. Banks, in fact, can derive IFRS 9 PDs leveraging from the IRB infrastructure, data and processes (i.e. risk differentiation and rating assignment) but employing ad-hoc (i.e. accounting) estimation process, that generally entails the estimation of intermediate parameters (i.e. generally referred as PD “TTC” or PD “unconditional”) and the use of different calibration processes.

18. To cater for those situations, templates 115.00 contains a specific data point to collect the “intermediate” PD parameter (“TTC”, “Unconditional”) embedded - where this is relevant - by those accounting models that would allow to better analyze the drivers of the ECL variability.

19. Another important dimension that is proposed to be collected in template 115.00 is related to the collection of the PD values for different stages. Even if it is aknowledged that different PD levels can be explained by risk based considerations (different riskiness of the portfolios and different maturities) these information can also be useful to detect potential variability of the ECL model outcomes due to not homogeneous risk practices, also linked to the approaches followed for the SICR assessment.

Analysis of the variability of the macroeconomic forecasts and the interaction between the lifetime PD curve and the macro economic scenarios

20. Similarly to LDPs, the analysis of the lifetime PDs entails two separate steps:

   a. First, in the template 118.00, the variability of the economic scenario is assessed via the variability of one macroeconomic variable forecast, namely the GDP.

   b. Second, in the template 116.00, the variability of the PD curve measured for each economic scenario defined in the previous step.

21. With regard to the analysis of the variability of the PD curves, the attention is drawn to the relevant instructions contained in Annex 8 that specifies the PD curves for each of the economic scenarios to be reported in template 116.00.

22. Differently from the LDPs - where these PD curves refer only to single counterparties - it is acknowledged that for HDPs could be more complex to produce these data for common portfolios, as this could entail the need to aggregate data and parameters of single exposures that can fall under different: i) rating systems ii) rating grades or PDs, iii) satellite models used for FLI incorporation, iv) approaches used for achieving probability weighted outcome.

23. For these reasons the EBA is of the view to collect the whole set of information only for portfolios which contain the geographical breakdown and for the most aggregated portfolios (breakdown for asset classes). The opportunity to collect the information on the latter portfolios (i.e. at most aggregated level) will be further considered in the light of the feedback eventually received in this regard.

Analysis of variability of practices in the SICR assessment

24. The approach envisaged for the analysis of variability of practices in the SICR assessment on HDPs differs from the one adoptepd for the LDPs as for HDPs information is collected only a portfolio basis. Therefore, the information on the qualitative and quantitative triggers are envisaged to be collected only at aggregated basis, while precise and granular information on the quantitative thresholds determining the shift to a different stage – that are applied at facility level - are disregarded at this stage.

25. Nonetheless, as the information on quantitative triggers and relevant thresolds are considered of a paramount importance for detecting any potential source of undue variabilitry coming from SICR practices, feedback are asked with this consultation in order to understand if those information can be collected in other ways.

26. With the limitations above, it is EBA's view that the proposed template C. 117.00 permits in any case to collect other relevant information that woud allow to benchmark the outcomes of the SICR practices (like the transition rate between stages) and to detect any further elements that may signal potential area of concerns in this area (like an excessive transitions to Stage 3 directly from Stage 1).

Questions for consultation

IFRS Q5: Do you see any issues or lack of clarity in the definition of the data points of template 115.00? Is the definition of IFRS 9 PD TTC/unconditional sufficiently clear?

IFRS Q6: Do you see any issues or lack of clarity in the definition of the data points of template 116.00 and 118.00?

IFRS Q7: Do you agree to the envisaged approach to collect the whole set of information only to limited subset of portfolios (L2 geographical split and aggregated asset classes)? Do you see any issue in reporting the PD curves?

IFRS Q8: Do you see any issues or lack of clarity in the definition of the data points of template 117.00? Would you see merits in collecting information on more granular quantitative triggers and relevant thresholds used for SICR assessment? If yes, in which ways?

Qualitative questionnaire

27. The EBA is on the view that complementing the data submission with a qualitative questionnaire would be very relevant, especially for HDPs, to ensure a better understanding of the quantitative data submitted by banks and to get more insights of the different methodologies, models, inputs and scenarios that could lead to material inconsistencies in ECL final figures. This combination has revealed very useful and informative in the past ad hoc exercises. In the meantime, it is also acknowledged that the questions should be limited to the key aspects to be investigated in order to reduce the burdens for reporting institutions. The EBA may therefore require future ad-hoc collection of a qualitative questionnaire, to be submitted in parallel with the future ITS data

collections. The EBA will continue to work on the integration of the qualitative template in the IFRS 9 benchmarking process while close discussions with all stakeholders will continue in this regard.

3.2 Credit risk benchmarking

28.The templates for the data collection for credit risk (CR) benchmarking (BM) are specified in Annexes I-IV of the (consolidated) ITS. Annex I specifies the benchmarking portfolios via a set of characteristics and Annex II provides the relevant definitions for this. Annex III contains the actual parameters and metrics that institutions are to report for the portfolios defined in Annex I. Finally, Annex IV provides the definitions and descriptions relevant for Annex III. The proposed review of the ITS for the 2024 exercise has been developed with the objective to ensure that the CR BM data collection is:

a. fit for purpose;

b. adjusted to the nature of the information;

c. specific to the analysis proposed; and

d. expected to be stable for a foreseeable time horizon.

29.Starting from these objectives, the EBA proposes for the 2024 update of the ITS section on credit risk to consult on a potential alignment to the COREP data submission on selected aspects and on the inclusion of a set of new portfolios related to the use of collateral for accounting purposes.

3.2.1 Alignment to COREP

30.**Value of collateral** (column 0120 of templates C101,102 and 103 of Annex III): This field refers to Columns 0150 to 0210 of template C 08.01 of Annex I to Implementing Regulation (EU) 2021/451. The current benchmarking instructions add that "the market value of the collateral shall be reported". However, it should be noted that the ITS on reporting (i.e. Implementing Regulation (EU) 2021/451) has been updated and that starting from 06/2023 the information in COREP will be based on the market value of a collateral capped to the outstanding relevant exposure value.

It is considered that for the purposes of the credit risk benchmarking and in particular for the assessment of the quality of LGD models the market value is more relevant than the same value capped to the outstanding amount, given that additional amounts could be claimed from the obligor in the course of a liquidation process. Therefore, the reference to COREP is deleted for column 0120 of templates C101,102 and 103 as set out in Annex III of the ITS.

It should be noted that the portfolios which are specified in Annex I for the breakdown by collateral type remain with their reference to COREP.

There are, in fact, more cases where for the same data point collected, the instructions in the benchmarking framework go beyond the specification of a referenced field in the reporting framework (COREP) and where, as a result of this the information provided for benchmarking and COREP may be different. These cases are however not subject of this consultation paper.

31. **There are 10 new portfolios added to Annex I** (sheet 103). In detail it is proposed to add for each of the non-defaulted benchmarking portfolios CORP, SMEC and SMOT[5] two portfolios to reflect the state of collateralisation for accounting purposes[6]. These portfolios are specified via an additional characteristic that is added in Annex I (sheet 103; column 0200), namely the Collateralisation status IFRS 9:

"Exposures shall be assigned to portfolios based on their collateralisation status, as used for the purpose of the expected credit loss measurement under IFRS 9:

Collateralised exposures.

i. This portfolio shall include all those exposures, for which, in accordance with IFRS 9 B5.5.55, the measurement of expected credit losses reflects the cash flows expected from the related collateral and/or other credit enhancements that are part of the contractual terms of the exposure into question and are not recognised separately by the entity. Those exposures that are only partially collateralised shall be reported for their full amount within this portfolio.

Not-collateralised exposures.

ii. This portfolio shall include all those exposures, for which, the measurement of the related expected credit losses is not affected by the presence of any collateral or any other form of credit enhancements.

(c) Not applicable."

32. Including these portfolios into the IRB CR benchmarking will allow to understand the variability of own funds requirements which may arise due to potentially diverging reflection of credit protection across institutions. In fact, there are several reasons why collateral or credit protection may be taken into account differently across institutions as well as differently for accounting purposes (e.g. in the IFRS9 LGD) and for the RWA calculation under the IRB approach:

a. For corporates and SMEs collateral may be very specific to the individual loan contracts and therefore it may be impossible to estimate IRB LGD in accordance with the GL on PD and LGD taking into account the value of these specific collaterals. For example an SME might pledge a certain machine which is specific to the product the SME is producing with this machine. Given that IRB LGD shall be quantified based on historical cash flows it may not be possible to take the value of this machine into account (if no cash flows for a comparable type of SME and machine are recorded in the data underlying the IRB LGD quantification), whereas for accounting purposes this can be done, as it relates to *the <u>cash flows expected</u> from the related collateral and/or other*

[5] CORP = CORPORATES, SMEC = SMEs in the exposure class corporates, SMOT = Other retail SME exposure

[6] Its sums up to 10 portfolios given that CORP and SMEC are separated by FIRB and AIRB approach

credit enhancements that are part of the contractual terms of the exposure into question.

b. The eligibility requirements for collateral and credit protection applicable under the accounting framework and under the prudential framework are not aligned and may be interpreted differently among supervisors.

Question for consultation:

CR Q1: Does the removal of the reference to COREP for the data field 0120 of templates C101, 102 and 103 of Annex III as explained in paragraph 3 create the need to change your data submission?

CR Q2: Do you agree that the variability caused by deviating interpretation of eligibility of collateral should be analysed? Do you have concerns on the alignment with the IFRS9 benchmarking portfolios?

CR Q3: Do you have any additional suggestions for improving the CR IRB benchmarking?

3.3 Market risk benchmarking

33. As part of this year's update to the market risk benchmarking exercise, the data collection of the alternative standardised approach (ASA) of the revised market risk framework that was introduced with the sensitivities-based method (SBM) in the '22 exercise is completed by including the two remaining components (Default Risk Charge - DRC, Residual Risk Add-On - RRAO). In addition, a limited number of targeted amendments are proposed for the existing templates and instructions of the ASA SBM collection. Additional portfolios defined by SBM sensitivities (SBM validation portfolios) are proposed in an effort to benchmark banks' implementations of the regulatory aggregation mechanism.

3.3.1 Introduction of DRC and RRAO collection templates

34. The ITS 2022 introduced the sensitivities-based method (SBM) component of the alternative standardised approach (ASA) to the Market Risk benchmarking exercise. This included the reporting of SBM sensitivities (C106.01) together with the IMV collection and the reporting of SBM sensitivities together with the corresponding OFR as of the end of the risk measure period (C120.01, C120.02, C120.03). The introduction of the remaining default risk charge (DRC) and residual-risk add-on (RRAO) components was left to future revisions of the ITS.

35. This Consultation Paper includes a proposal for specific DRC reporting templates (C120.04, C120.05) that shall be reported as of the end of the risk measure period, following the approach taken for the SBM collection. RRAO is introduced via an amendment of the existing template (C120.03) which is further expanded by aggregate DRC results so that it includes the aggregate results for all three components of the ASA. Therefore, the SBM only template (C120.03) ceases to exist, and it is substituted by the new template (C120.06).

36. The two proposed DRC templates include a detailed template that collects exposure-level data (C120.04) and a template for the results of the DRC calculation, broken down by regulatory bucket (C120.05).

> **MR Q1**: Do you see any issues or lack of clarity in the definition of the data points of templates C120.04 and C120.05? Do you foresee any issues in terms of compatibility of template C120.04 and data standards used by the industry?
>
> **MR Q2**: Do you agree with the proposed format for the collection of DRC data in templates C120.04 and C120.05?
>
> **MR Q3**: Do you agree with the proposed amendments to template C120.06 (former C120.03) to include DRC and RRAO OFR by portfolio?
>
> Due to the comparably low complexity of the EBA Benchmarking portfolio, the proposed approach to benchmark RRAO is limited in scope.
>
> **MR Q4**: In your view, what approaches would be suited to benchmark banks' implementation of the RRAO requirements more comprehensively?

3.3.2 Targeted amendments to SBM collection

37. Several amendments are proposed to improve the collection of SBM data (C106.01, C120.01, C120.02). These include:

- An additional column (0090) in template C120.01 to obtain the bank-applied risk-weights for sensitivities and for the calculation of curvature risk positions. This information is readily available in banks and facilitates data quality checks and analyses performed by competent authorities.

- A harmonisation and simplification in the reporting of Vega sensitivities in templates C106.01 and C120.01. As different practices were observed in the data reported as part of the '22 exercise, it is now clearly specified that banks shall report Vega sensitivities after weighting by the corresponding implied volatility. As a simplification, the additional reporting of implied volatilities is omitted in this context. Banks would be allowed to anticipate this approach already as part of the '23 benchmarking exercise, to get more consistent results with respect the 2022 submission.

- Further information on ASA methodological alternatives that may impact Benchmarking results are proposed to be collected via template C120.02 (approaches of Art. 325q(7), Art. 325e(3) and Art. 325q(7)) that will help competent authorities to better understand the impact those approaches may have on the resulting own funds requirements.

38. A further amendment is proposed as a result of reporting practices observed in the SBM collection but which would similarly apply to the risk measures of the current market risk framework. This concerns the instruction "kk" in Annex 5. Regarding the currency of the calculation of risk measures

(including but not limited to SBM) it is proposed to specify that banks shall calculate risk measures from the perspective of their own reporting currency using their existing systems and consider FX risk factors from the point of view of their reporting currency. The reporting in EBA portfolio currency (i.e., the Base currency of instruments and portfolio of Annex 5) that is requested for SBM shall be performed by a simple conversion using the applicable ECB reference rate without a change in the considered risk factors. This change shall reduce the operational burden for banks and align the exercise more closely to banks' productive systems.

MR Q5: Do you agree with the proposed change to the reporting of vega sensitivities?

MR Q6: Do you agree with the proposed clarification with regards to taking the reporting currency view for the consideration of FX risk? Do you agree with the proposed clarification with regards to converting reporting currency results to the EBA portfolio currency using the applicable ECB spot exchange rate?

3.3.3 Targeted amendments to Annex 5

39. A series of minor changes were introduced to the instruments in Annex 5, to update them or to amend them with respect to some issues reported in the 2023 exercise. The changes are listed here below.

- Changes that involved a simple update of the instruments (i.e., the instruments remain substantially the same type, but with a postponed maturity). More specifically this involves instruments 207, 208, 209, 215, 217, 520,521, 522 and 534.
- Changes that involved an amendment of some instruments (i.e., the instruments remain the same, but minor details of the instruments changed and the banks participating in the exercise should pay great attention to these small changes). More specifically, this involves instruments 204, 223, 224, 301 and 302.
- It should be noted that the "base currency", defined for every single defined for each instrument and portfolio, was substituted with "EBA instruments/portfolio currency". This does not change the type of currency that needs to be used for reporting the IMVs and Risk Measures. The change is proposed to avoid any possible misunderstanding between the "base currency" of the instruments and portfolio" with the "base currency" methodology applied for the sensitivities computation.

3.3.4 SBM validation portfolios

40. The existing set of hypothetical portfolios in the market risk benchmarking exercise is based on hypothetical financial instruments that are interpreted and booked by banks according to the instructions. Variability observed in the risk measures reported for those portfolios may result from various sources starting from varying interpretations and bookings to modelling and other implementation choices made in the approaches that are benchmarked.

41. To reduce these sources of variability for the benchmarking of the ASA SBM, it is possible to specify instruments and portfolios by directly defining sensitivities towards regulatory risk factors (SBM validation portfolios). In this way, the only sources of variability remaining are the correct interpretation of the provided sensitivities and the implementation of the regulatory prescribed SBM calculation algorithm (netting, application of risk-weights, correlations, aggregation formulae). As already adopted by industry-led benchmarking exercises, this approach can be used to comprehensively validate banks' implementations at a comparatively low cost as the interpretation and booking burden of such instruments is considerably lower when compared to the hypothetical financial instruments generally used in the exercise. Reported results should in principle be identical across all reporting banks so that competent authorities can easily spot divergent implementations and give feedback to their supervised institutions based on the results.

42. The newly added Section 6 of Annex 5 defines a simple set of SBM validation portfolios for the Delta component of the general interest rate risk class of the ASA SBM. This risk class is relevant across all participating banks and relevant for most financial instruments. Following the proposal, banks are expected to report the results of their SBM calculations for the SBM validation portfolios as part of the risk measure submission. The proposal is of a limited scope and aimed at testing the general concept and interpretability of the data by participating banks. If the approach can be implemented successfully, an extension to more risk classes of the SBM, specific features of the SBM calculation, and other components of the ASA (in particular DRC) will be considered for future revisions of the ITS.

MR Q7: Do you agree with the proposed introduction of individual and aggregated portfolios for purposes of SBM validation?

MR Q8: Do you see any issues or lack of clarity with the instructions of Annex 5 defining the SBM validation portfolios?

MR Q9: Do you propose additional SBM validation portfolios to test other risk classes, components or specific features of the SBM calculation?

3.3.5 Anticipated changes in light of the banking package

43. On 27 October 2021, the European Commission adopted a review of EU banking rules (the Capital Requirements Regulation (CRR III) and the Capital Requirements Directive (CRD VI)). The included proposal to amend the CRD includes a proposed amendment to Article 78 to add the alternative standardised approach for market risk set out in Part Three, Title IV, Chapter 1a of the CRR to the approaches included in the scope of the supervisory benchmarking.

44. Should this proposal enter into force by 1. January 2025, as currently envisaged in the Commission proposal, this would imply that institutions applying the alternative standardised approach would be included in the supervisory benchmarking, regardless of whether they hold approval under the (alternative) internal model approach for market risk. This change would imply a substantial increase in the scope of banks taking part in the benchmarking exercise. EBA expects that these institutions will prepare on time for participation in the exercise and wants to foster transparency

as much as possible. Therefore, EBA is naturally monitoring the developments and will communicate on this aspect once legal clarity exists on the overall benchmarking framework.

45.At the current moment, no assumption regarding the finalisation of the new regulation has been made. Should the regulation be finalised into its current form, the new institutions in scope should consider the 18 months for CRD transposition to applicate at the Member State level, before they would be demanded to be formally in the benchmarking exercise.

MR Q10: Acknowledging the expected extension of the scope of the market risk exercise to banks using the alternative standardised approach starting from the 2026 exercise, would the industry appreciate the possibility of voluntary participation of such institutions starting from the 2024 exercise?

MR Q11: Does the industry recommend any changes to the design of the existing exercise considering the extension to banks using the ASA?

46.Similarly, regarding the alternative internal model, some expectations can be assumed based on the reporting requirements. At the current stage, the FRTB IMA banks should start reporting no sooner than as of Q4 2025. EBA is planning to start the development of an ITS with revised requirements for benchmarking the alternative internal model approach as soon as possible and plans an earlier-than-usual consultation of 2026 ITS, so that banks would have more time to prepare for this new framework.

MR Q12: Do you see any issues or lack of clarity in the definition in the changes and updates introduced in the list of instruments and portfolio of Annex 5?

MR Q13: Which types of instruments, specific risks, etc. play a particularly important role in your portfolio but are misrepresented / underrepresented in the EBA portfolio?

MR Q14: Which instruments, risk factors and portfolio constellations are considered particularly relevant for benchmarking the ASA and should be included in the benchmarking portfolio (distinguishing by SBM, DRC and RRAO)?

MR Q15: Concerning the IMV part of the exercise, EBA is striving to more clearly specify the treatment of accrued interest and align to market practice in this regard. In your view, for which types of interest rate instruments included in the exercise should accrued interest be included in the IMV?

4. Draft implementing standards

EBA/GL-REC/20XX/XX

DD Month YYYY

Draft implementing technical standards amending Commission Implementing Regulation (EU) 2016/2070 on benchmarking of internal models

COMMISSION IMPLEMENTING REGULATION (EU) No …/...
of [date]

amending Implementing Regulation (EU) 2016/2070 as regards benchmark portfolios, reporting templates and reporting instructions to be applied in the Union for the reporting referred to in Article 78(2) of Directive 2013/36/EU of the European Parliament and of the Council

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC[7], and in particular Article 78(8) the third subparagraph thereof,

Whereas:

(1) Commission Implementing Regulation (EU) 2016/207[8] specifies the reporting requirements for institutions to enable the European Banking Authority ('EBA') and competent authorities to monitor the range of risk weighted exposure amounts or own funds requirements for the exposures or transactions in the benchmark portfolio resulting from the internal approaches of those institutions and to assess those approaches as required by Article 78(3) of Directive 2013/36/EU.

(2) Considering that, pursuant to Article 78(1) of Directive 2013/36/EU, the benchmarking exercise is of at least annual duration and that the focus of the competent authorities' assessments and of EBA's reports has changed over time, in order to identify areas where further regulatory guidance is needed exposures or positions that are included in the benchmark portfolios, and therefore also reporting requirements, need to be adapted accordingly. It is therefore appropriate to amend Annexes I, II, IV, V, VI, VII, VIII and IX to the consolidated Implementing Regulation (EU) 2016/2070.

(3) Further, a new international accounting standard, International Financial Reporting Standard 9 (IFRS9), was adopted through Commission Regulation (EU) 2016/2067[9]. In order to take this standard into account for the reporting requirements, Commission Implementing Regulation

[7] OJ L 176, 27.6.2013, p. 338–436.

[8] Commission Implementing Regulation (EU) 2016/2070 of 14 September 2016 laying down implementing technical standards for templates, definitions and IT-solutions to be used by institutions when reporting to the European Banking Authority and to competent authorities in accordance with Article 78(2) of Directive 2013/36/EU of the European Parliament and of the Council (OJ L 328, 2.12.2016, p.1).

[9] Commission Regulation (EU) 2016/2067 of 22 November 2016 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 9 (OJ L 323, 29.11.2016, p. 1).

(EU) 2021/2017[10] amended Regulation (EU) No 2016/2070 by adding two new Annexes, one with the templates for reporting and the other with the instructions for completing the templates. Those annexes aimed at producing benchmarks for the IFRS 9 ECL outcomes and IFRS 9 PD and, further to amendments introduced by Commission Implementing Regulation (EU) 2022/951[11], loss given default (LGD) parameters on common counterparties belonging to the low default portfolios. As stated in the EBA IFRS 9 monitoring Report [12] and following the staggered approach presented in the IFRS 9 roadmap[13], it is now necessary to integrate additional portfolios and templates to gradually extend the IFRS 9 benchmarking exercise to the high default portfolios.

(4) Implementing Regulation (EU) 2016/2070 should be amended accordingly.

(5) This Regulation is based on the draft implementing technical standards submitted to the Commission by the EBA.

(6) EBA has conducted open public consultations on the draft implementing technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the advice of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council[14].

HAS ADOPTED THIS REGULATION:

Article 1

Implementing Regulation (EU) 2016/2070 is amended as follows:

(1) Annex I is replaced by the text in Annex I to this Regulation;
(2) Annex II is replaced by the text in Annex II to this Regulation;
(3) Annex IV is replaced by the text in Annex III to this Regulation;
(4) Annex V is replaced by the text in Annex IV to this Regulation;
(5) Annex VI is replaced by the text in Annex V to this Regulation;
(6) Annex VII is replaced by the text in Annex VI to this Regulation;
(7) Annex VIII is replaced by the text in Annex VII to this Regulation;
(8) Annex IX is replaced by the text in Annex VIII to this Regulation.

[10] Commission Implementing Regulation (EU) 2021/2017 of 13 September 2021 amending Implementing Regulation (EU) 2016/2070 as regards benchmark portfolios, reporting templates and reporting instructions to be applied in the Union for the reporting referred to in Article 78(2) of Directive 2013/36/EU of the European Parliament and of the Council

[11] Commission Implementing Regulation (EU) 2022/951 of 24 May 2022 amending the implementing technical standards laid down in Implementing Regulation (EU) 2016/2070 as regards benchmark portfolios, reporting templates and reporting instructions to be applied in the Union for the reporting referred to in Article 78(2) of Directive 2013/36/EU of the European Parliament and of the Council

12 https://www.eba.europa.eu/eba-notes-significant-efforts-ifrs-9-implementation-eu-institutions-cautions-some-observed

13 https://www.eba.europa.eu/eba-publishes-its-roadmap-on-ifrs-9-deliverables-and-launches-ifrs-9-benchmarking-exercise

[14] Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12).

Article 2

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union.*

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Commission
The President

On behalf of the President

[Position]

ANNEX

Annex I (Credit Risk Benchmarking)
Annex II (Credit Risk Benchmarking)
Annex III (Credit Risk Benchmarking)
Annex IV (Market Risk Benchmarking)
Annex V (Market Risk Benchmarking)
Annex VI (Market Risk Benchmarking)
Annex VII (IFRS9 Benchmarking)
Annex VIII (IFRS9 Benchmarking)

5. Accompanying documents

5.1 Draft cost-benefit analysis for changes related to credit and market risk benchmarking

Article 78 of Directive 2013/36/EU (CRD IV) requires competent authorities to conduct an annual assessment of the quality of internal model approaches, used for the calculation of own funds requirements, and requires the EBA to produce a report to assist them in this assessment. The report of the EBA relies on data submitted by institutions in accordance with EU Regulation 2016/2070, which specifies the benchmarking portfolios, templates, definitions and IT solutions to be used by the institutions as part of the annual benchmarking exercise, when using internal model approaches for market and credit risk.

The current draft ITS aim to update the previous ITS for the benchmarking data collection with the purpose of improving the exercises and adapting to the relevant policy changes which will be applicable by end-2023 and thus relevant for the 2024 exercise.

With regard to the credit risk no metrics have been deleted or newly introduced. Therefore, no in-depth impact assessment is considered relevant.

5.1.1 Market risk

Regarding the EBA's market risk benchmarking data collection, the purpose is to extend the set of information collected on the FRTB Alternative Standardised Approach (ASA). The new data concerns the Default Risk Charge (DRC) and the Residual Risk Add-On (RRAO). This will complete the sensitivities measures collection introduced in 2022, and it will be important for future extension of the scope of the data collection to all ASA banks.

As per Article 15(1) of the EBA regulation (Regulation (EU) No 1093/2010 of the European Parliament and of the Council), any ITS developed by the EBA shall be accompanied by an Impact Assessment (IA) annex which analyses 'the potential related costs and benefits' before submitting to the European Commission. Such annex shall provide the reader with an overview of the findings as regards the problem identification, the options identified to remove the problem and their potential impacts.

For the purposes of the IA section of the Consultation Paper, the EBA prepared the IA with cost-benefit analysis of the policy options included in the regulatory technical standards described in this Consultation Paper. Given the nature of the study, the IA is mainly high-level and qualitative in nature including quantitative analysis when possible.

A. Problem identification

With regard to the market risk benchmarking data collection, the previous ITS for benchmarking data collection have remained stable, in terms of the sensitivities data collection.

B. Policy objectives

The general objective of the current ITS is to update the previous ITS for benchmarking data collection to complete the set of information that concerns the ASA.

The main objective of the implementation of the current draft benchmarking ITS is to extend the set of templates to have a complete representation of the DRC and the RRAO for all the instruments and portfolios to be benchmarked.

This would foster the strategic objective of creating a supervisory and reporting environment to ensure that institutions apply consistent modelling and valuation techniques. The following sections examine the options that could create such an environment, as well as the net impact that the implementation of such solutions implies.

C. Baseline scenario

For the market risk part of the exercise, for most EU institutions, the current status of reporting the results of modelling and valuations implies the potential operational costs and miscalculations, which lead to overvaluation or undervaluation of the reported values for the purposes of the benchmarking exercises. Since the extent and magnitude of overvaluations or undervaluations cannot be identified, the impact assessment focuses on the assessment of the net impact on the institutions' operations.

D. Options considered

When developing the draft ITS, the EBA considered the following options:

Option 1: do nothing

This option implies that credit institutions continue reporting data for the benchmarking exercise using just the previous set of templates for the exercises to date.

For the market risk part of the exercise, the continuation of the application of just the previous set of templates assumes that credit institutions and the EBA have the usual operational cost assigned to providing clarifications and ensuring the consistent submission of data.

The 'do nothing' option would imply leaving the Implementing Regulation on market risk benchmarking unchanged, Annex VI and VII, which would result in obtaining almost the same results as the previous exercise, with a loss of relevance and significance for banks and competent authorities in the data collection.

Option 2: revision of the templates relating to the benchmarking exercises

The main arguments that support the revision of the templates in the market risk benchmarking exercises are:

A. to enhance the significance of the benchmarking exercises across all EU credit institutions;

B. potentially providing new insights into the different functioning of the market risk model.

For the market risk part of the exercise, the current ITS could achieve the objective by expanding the set information collected. With some new additional templates (120.04, 120.05 and 120.6), the data ASA collection could be completed, providing a full picture of the ASA implementation. Moreover, this would provide new elements of analysis, for banks and competent authorities.

E. Cost-Benefit Analysis

The principle of proportionality applies to all aspects of the impact assessment, including methodology, depth of analysis, level of detail and necessity of quantitative analysis. Being consistent with this principle, the EBA staff follow the principle of proportionality when conducting the cost-benefit analyses. Given that the implementation of the current ITS would not have a detrimental impact, the following analysis focuses on the qualitative characteristics. In doing so, it provides rough estimations of the net monetary impact that relates to the conduct of benchmarking exercises.

The net impact on capital requirements, implied by the implementation of the current guidelines, cannot be precisely assessed because, substantially, it would depend on further actions agreed by institutions with national competent authorities in response to the benchmarking exercise results; however, it is expected to be on average close to zero due to the hypothetical market portfolio exercise framework.

Market risk:

Option 1

Costs: a possible loss of informativeness in the data collection, that would be substantially identical to the previous one.

Benefits: one-off benefits (reduction of the existing operational costs) of not dedicating human resources to the drafting the present ITS.

Option 2

Costs: the one-off cost of dedicating resources to the drafting of the ITS. There is also a source of minimal cost that relates to the need for the EBA to explain the new set of templates to the national competent authorities and, through them, the participating credit institutions. However, it is to be noted that the data requested with the new templates could not be too burdensome, since the instruments are basically the same as before, and the DRC data collection logic is very similar to the SBM logic; moreover, for RRAO only aggregated information is collected.

Benefits: the benefits of this option arise from providing new and complete ASA information and data, which would trigger the provision of additional insights to competent authorities and would keep the exercise relevant for the banks involved.

F. Preferred option

The EBA considers that, although these benefits are not directly observable and are spread over time, they are not negligible, and they are considered more important than the costs enumerated above. For this reason, the preferred option is Option 2.

5.1.2 IFRS

47. The sound and consistent implementation of the IFRS 9 accounting standard is of paramount importance for regulators and supervisors since the outcome of the expected credit loss (ECL) calculation directly impacts the amount of own funds and regulatory ratios. This link to prudential requirements reinforces the need for scrutiny from regulators and the need to enlarge the supervisory toolkit to detect any potential sources of variability arising from the implementation of the IFRS 9 ECL model that may have related impacts on the prudential ratios.

48. For these reasons, the benchmarking exercise has gradually been extended to the accounting dimension and Regulation 2016/2070 has been amended to integrate additional templates on IFRS 9.

49. Article 78 of Directive 2013/36/EU (CRD IV) requires competent authorities to conduct an annual assessment of the quality of internal model approaches, used for the calculation of own funds requirements, and requires the EBA to produce a report to assist them in this assessment. The report of the EBA relies on data submitted by institutions in accordance with EU Regulation 2016/2070, which specifies the benchmarking portfolios, templates, definitions and IT solutions to be used by the institutions as part of the annual benchmarking exercise.

50. Given the commonalities between IRB models for credit risk and IFRS 9 models, it was deemed appropriate to build on the existing ITS on supervisory benchmarking in conducting the IFRS 9 benchmarking exercise. Nonetheless, the current scope of the exercise and set of templates cover only the low default portfolios ("LDPs"). As stated in the IFRS 9 monitoring Report and following the staggered approach presented in the IFRS 9 roadmap[15] changes are therefore suggested to Regulation 2016/2070 in order to integrate additional portfolios and templates dedicated to HDPs'.

51. As per Article 15(1) of the ESAs regulation (Regulation (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010 of the European Parliament and of the Council), any implementing technical standards developed by the ESAs shall be accompanied by an Impact Assessment (IA) annexe which analyses 'the potential related costs and benefits' of the guidelines. Such annex shall provide the reader with an overview of the findings as regards the problem identification, the options identified to remove the problem and their potential impacts.

52. The EBA prepared the IA included in this consultation paper analysing the policy options considered when developing the guidelines. Given the nature of the study, the IA is qualitative in nature.

[15] https://www.eba.europa.eu/eba-publishes-its-roadmap-on-ifrs-9-deliverables-and-launches-ifrs-9-benchmarking-exercise

A. Problem identification

53.The existing ITS on supervisory benchmarking currently includes templates to monitor risk parameters for credit and market risk and IFRS 9, even if for the latter information is only collected for a limited list of counterparties belonging to LDPs asset classes.

54. The limited scope of the IFRS 9 data collection does not to ensure a comprehensive view of the existing variability of the ECL outcomes and the related impacts on the amount of own funds and regulatory ratios, as a large part of the financial instruments subject to the IFRS 9 impairment requirements (i.e the high default portfolios, “HDPs”) are currently out of the scope of the exercise.

B. Policy objectives

55. The general objective of the current ITS is to update the previous ITS for benchmarking data collection.

56. The specific objective of the current ITS on IFRS 9 is to extend the data collection on the high default portfolios, ensuring in this way the possibility to perform the IFRS 9 benchmarking analysis on large part of banks’ financial instruments subject to impairment requirements.

C. Baseline scenario

57.The baseline scenario is the existing Regulation 2016/2070 where, for IFRS 9 only the collection of specific data points on a list of common counterparties belonging to the low default portfolios is foreseen. If there are no changes applied to this regulation, any additional data collection on IFRS9 information on HDPs should be done on an ad-hoc basis.

D. Options considered

58.When drafting the present amendment to the ITS on benchmarking several options were considered with regard to different dimensions.

59.With regard to the scope of the exercise:

Option 1: To directly extend the IFRS 9 benchmarking to all the HDPs, requiring a full data collection for all the asset classes;

Option 2: to follow a staggered approach, limiting a full data collection for some specific portfolios (Corporate, SME Corporate and SME other) while collecting information for the other asset classes only at aggregated level (i.e. without portfolio splits)

60.With regard to the level of portfolio splits:

Option 1: to use the same type and level of splits already envisaged for the credit risk benchmarking exercise;

Option 2: to use only the portfolio splits that are deemed relevant for IFRS 9 benchmarking purposes.

E. Cost-Benefit Analysis

61. To proceed with due regard to proportionality aspects and the complexity of the exercise, it was assessed whether in the first stages only some parts of the ITS would be used for the IFRS 9 benchmarking. In particular, it was analysed whether collecting the full data only for limited asset classes – while collecting information at aggregated level for the others - would provide enough information to perform a first assessment on the main potential reasons that could explain variability on the ECL measurement on the HDPs.

62. Moreover, an assessment of the most relevant dimensions on portfolio splits has been considered, taking into account, in particular, industry's informal feedback collected during bilateral and roundtable meetings as well as the experience learnt from the previous ad hoc exercises.

F. Preferred option

63. It is suggested that in the first stage of the IFRS 9 benchmarking exercise on HDPs, a full data collection will be envisaged only for limited asset classes (Corporate, SME Corporate, SME Other), while collection of most aggregated figures will be ensured for the rest of the portfolios.

64. Additionally, it is suggested that the new data collection will focus only on selected level of splits that are deemed more relevant for HDPs. Furter dimension, as well as potential combination of these splits may follow in due course.

5.3 Overview of questions for consultation

Questions

IFRS Q1: Do you see any issues or lack of clarity in the definition of the scope of the exercise?

IFRS Q2: Do you agree with the proposed list of benchmarking portfolios relevant for IFRS9? Do you believe that other dimensions should be used in the level 2 split? Do you have concerns on the alignment with the IRB benchmarking portfolios?

IFRS Q3: Do you agree with the proportionate approach taken for the geographical area envisaged by the exercise? How should the materiality thresholds be defined?

IFRS Q4: For the sake of allowing meaningful benchmarking observations, do you see any issue in not considering any combination of split at this stage? Or do you see merits in combining some dimension? If yes, which combination of split should be considered?

IFRS Q5: Do you see any issues or lack of clarity in the definition of the data points of template 115.00? Is the definition of IFRS 9 PD TTC/unconditional sufficiently clear?

IFRS Q6: Do you see any issues or lack of clarity in the definition of the data points of template 116.00 and 118.00?

IFRS Q7: Do you agree to the envisaged approach to collect the whole set of information only to limited subset of portfolios (L2 geographical split and aggregated asset classes)? Do you see any issue in reporting the PD curves?

IFRS Q8: Do you see any issues or lack of clarity in the definition of the data points of template 117.00? Would you see merits in collecting information on more granular quantitative triggers and relevant thresholds used for SICR assessment? If yes, in which ways?

CR 1: Does the removal of the reference to COREP for the data field 0120 of templates C101, 102 and103 of Annex III as explained in paragraph 3 create the need to change your data submission?

CR 2: Do you agree that analysing the variability caused by deviating interpretation of eligibility of collateral should be analysed?

CR 3: Do you have any additional suggestions for improving the CR IRB benchmarking?

MR 1: Do you see any issues or lack of clarity in the definition of the data points of templates C120.04 and C120.05? Do you foresee any issues in terms of compatibility of template C120.04 and data standards used by the industry?

MR 2: Do you agree with the proposed format for the collection of DRC data in templates C120.04 and C120.05?

MR 3: Do you agree with the proposed amendments to template C120.06 (former C120.03) to include DRC and RRAO OFR by portfolio?

MR 4: In your view, what approaches would be suited to benchmark banks' implementation of the RRAO requirements more comprehensively?

MR 5: Do you agree with the proposed change to the reporting of vega sensitivities?

MR 6: Do you agree with the proposed clarification with regards to taking the reporting currency view for the consideration of FX risk? Do you agree with the proposed clarification with regards to converting reporting currency results to the EBA portfolio currency using the applicable ECB spot exchange rate?

MR 7: Do you agree with the proposed introduction of individual and aggregated portfolios for purposes of SBM validation?

MR 8: Do you see any issues or lack of clarity with the instructions of Annex 5 defining the SBM validation portfolios?

MR 9: Do you propose additional SBM validation portfolios to test other risk classes, components or specific features of the SBM calculation?

MR 10: Acknowledging the expected extension of the scope of the market risk exercise to banks using the alternative standardised approach starting from the 2026 exercise, would the industry appreciate the possibility of voluntary participation of such institutions starting from the 2024 exercise?

MR 11: Does the industry recommend any changes to the design of the existing exercise considering the extension to banks using the ASA?

MR 12: Do you see any issues or lack of clarity in the definition in the changes and updates introduced in the list of instruments and portfolio of Annex 5?

MR 13: Which types of instruments, specific risks, etc. play a particularly important role in your portfolio but are misrepresented / underrepresented in the EBA portfolio?

MR 14: Which instruments, risk factors and portfolio constellations are considered particularly relevant for benchmarking the ASA and should be included in the benchmarking portfolio (distinguishing by SBM, DRC and RRAO)?

MR 15: Concerning the IMV part of the exercise, EBA is striving to more clearly specify the treatment of accrued interest and align to market practice in this regard. In your view, for which types of interest rate instruments included in the exercise should accrued interest be included in the IMV?