June 2023

The European Banking Authority

Subject: Industry's views on the Consultation Paper on draft ITS on Amending Regulation (EU) 2021/453 with regard to the specific reporting requirements for market risk

Executive summary

The Association for Financial Markets in Europe (AFME) and the International Swaps and Derivatives Association (ISDA) (jointly 'the Industry') welcome the consultation on amending the specific reporting requirements for market risk. We acknowledge the significant effort that is required to produce reporting standards that provide supervisors with sufficient insight into banks' trading books, while also keeping in mind proportionality of the requirements and the costs and benefits of additional requirements above those mandated by the Basel Committee's standards and what is required under the CRR. The Industry comments below reflect this difficult balancing act and the potentially significant operational burden that we believe is not justified from the cost benefit viewpoint.

Firstly, the industry notes that the Draft ITS suggests 30th of September 2024 as the first reference date for reporting using the final ITS.

We are in favour of the alignment of the reporting requirements with the calculation requirements, and therefore, we believe it is more appropriate to align the date of application of the ITS amending the reporting requirements for market risk with the implementation of CRR3 FRTB requirements. Furthermore, setting the new reporting requirement at a fixed earlier date may force banks to report the alternative standardised approach [Chapter 1a] and the alternative internal model approach [Chapter 1b] while still capitalising, and reporting, under the current market risk framework [Chapters 2 to 5] for up to 2 years (if the Commission were to adopt a Delegated Act to postpone the application of the new approaches pursuant to CRR3 article 461a). Hence, when aligning the date of application of the ITS, any possible postponement of the new market risk approaches should be taken into account. Contrary to the rationale suggested by the EBA, we believe that such early introduction of reporting requirements would create more complexity for institutions.

While we acknowledge that regulatory reporting of FRTB has been implemented via CRR2, the fact that no other supervisor appears to require such detailed reporting of FRTB prior to its implementation as a Pillar 1 requirement seems to suggest that the cost of early reporting may not be justified. We therefore believe that the final ITS on FRTB Reporting should align to the implementation of CRR3 FRTB requirements.

Secondly, we want to highlight that the number of reporting templates proposed represents a significant, and in our view d disproportionate, increase on existing requirements. Currently banks are required to complete two reporting templates to fulfil the FRTB SA reporting requirements , while the Draft ITS proposes that twenty nine templates would be required under the CRR3 market risk standards. The number of templates proposed, combined with the very high granularity requested (displaying all the r risk factor and bucket level data, for each type of underlying), as well as the very detailed level of information on every intermediate calculation step, are particularly burdensome for institutions and would trigger high costs of compliance.

We urge the EBA to re-evaluate the requirement, given the additional burden for the institutions that already report numerous market risk templates to the competent authorities (within and outside the FRTB COREP framework). We provide a list of templates that the industry suggests could be omitted in the response to question nine below.

We suggest that it is important for the EBA to be clear why a specific cell/return is useful to supervisors. Not all intermediate steps in a calculation are required for other risks, and in our view market risk should not be different. There are no issues in respect of supervisors asking banks to provide detailed information on market risk calculation as part of reviews, but requiring this across the board and on continuous basis, when only small elements feed into supervisory decisions relevant to each bank, does not appear to be aligned with the proportionality objectives that the EBA has set out.

The stated objectives of the EBA are twofold [ITS article 20]: to have templates that reflect each and every step of the market risk own funds requirements calculation process and to facilitate the monitoring of risks. We understand those objectives, but we feel that some elements of proportionality should be introduced to avoid undue complexity (hence meeting the intentions of the EBA when meeting the objectives as expressed at article 12 of the ITS). Proportionality should not be understood only as adapting the reporting requirements to the size of the institution, but as well as setting the granularity of the reported calculation steps or risk metrics to levels of significance towards a bank's overall risks and own funds requirements.

Thirdly, the industry welcomes the detail provided in the draft ITS on how to diversify different positions under offsetting groups, developing the standards in line with article 325b from the CRR. However, we believe that the new capital and metric reporting requirements on an offsetting group basis are unnecessary, go beyond the existing consolidation group-level reporting and therefore should be eliminated from the final ITS. The industry believes that guidance in respect of the implementation of diversification of positions within a financial group is needed and should be maintained in other regulatory texts, but that the proposed reporting breakdown at offsetting group level would exponentially multiply the reporting requirements while not often being aligned with how banks manage their risks and calculate or allocate their capital. As the usefulness of the requirement depends on legal entity structures, it should be a supervisory tool that can be utilised on a case-by-case basis, but should not be a generic reporting requirement.

Finally, the industry highlights that the desire to implement these reporting standards as CRR2 requirements results in challenges and inconsistency for the benefit of one reporting period before the CRR3 comes into force, unless the application date is amended. For example, the draft ITS implies that banks need to calculate the capital surcharge if there is at least one A-IMA desk failing the profit & loss attribution test. Effectively, this drafting suggests that a capital surcharge would need to be calculated for desks that are on the red zone of the PLA test in line with the CRR2. This is not aligned with the CRR3 (as expected), nor with the latest RTS on Backtesting and PLA (Section 2.3, page 20) where it is mentioned that "only yellow desks (i.e. not orange or red desks) will be subject to such a surcharge". Furthermore, it is not aligned with the BCBS MAR 33.43, which was updated after the CRR2 was completed and requires this for desks on the Amber zone only. If not corrected, this error may result in a materially higher capital charge for the institutions and at least would result in having to reconsider the template after the suggested first reporting date. Similarly, the industry highlights that the boundary reporting is also based on the CRR2 requirements and is not compatible with the CRR3. Ahead of this fragmented timeline regarding the reporting requirements, we would like to underline the overlapping of the capital requirement date for FRTB-IMA implementation set to the 1st of January 2025 with the IMA reporting requirement date that would start later on. As the IMA reporting is voluntary and needs to be applied for, it is unlikely that the A-IMA reporting will be relevant to institutions, unless it is in the context of CRR3.

We urge the EBA to reconsider the initial reporting date and costs and benefits of establishing and going live with the reporting requirements ahead of the CRR3. It would result in a significant and unnecessary burden on banks to establish manual processes for the benefit of reporting for one quarter. In our view, the costs of implementing some of the requirements without considering the CRR3 updates would result in costs outweighing any supervisory or risk identification benefits, as well as banks spending considerable time developing processes and on managerial reviews when the focus in the industry's view should be on smooth implementation of the FRTB capital requirements.

Answers to EBA's questions

Question 1 – Offsetting group-based reporting a) Did you identify any issues regarding the implementation and use of the offsetting group concept of Article 325b CRR in the context of these ITS? b) Are instructions regarding the reporting by offsetting group clear? If you identify any issues, please include suggestions how to rectify them.

The industry believes that the guidance in respect of the implementation of the diversification of positions within a financial group is needed and should be maintained in other regulatory texts, but that the proposed reporting breakdown at offsetting group level would exponentially multiply the reporting requirements while not often being aligned with how banks manage their risks and calculate or allocate their capital. As the usefulness of the requirement depends on legal entity structures, it should be a supervisory tool that can be utilised on a case-by-case basis, but should not be a generic reporting requirement.

Across the industry, different banks have diverse booking, risk, capital, and business management models, from more geographically diversified banking groups to those that consolidate nearly all their market risk activities under a small group of subsidiaries. Therefore, we do not agree with the rationale provided by EBA that reporting at the offsetting group level corresponds more directly to outputs generated by institutions, as it is not necessarily aligned with how banks measure or manage their risks across the group.

In addition, given that banks will have to require approval from the supervisory authorities to calculate capital according to such internal schemes or structures (including the definition and configuration of the different offsetting legal entity groups), the industry believes that the Supervisor would have already received the necessary information. Additional capital and detail per offsetting group could be provided on an ad-hoc basis, as required, thus avoiding an unnecessary increase in the reporting requirements, especially if the introduction of a template per A-SA metric is kept in the reporting framework. This should be further aligned to considerations of proportionality, whereby: calculation levels below a materiality threshold could require simplified reporting; and low materiality calculation levels could be reported at higher levels of aggregation.

For the above reasons the industry considers the proposed requirement to be confusing, to not represent the different risk-management structures of the industry, and which could introduce significant reporting and cost of compliance burden for firms with multiple offsetting entities, while adding little value in terms of understanding the market risks the bank is exposed to.

In terms of the instructions as they stand, our reading is that if permission to offset has not been granted to an individual entity then this becomes a stand-alone offsetting group on its own, and the reporting templates would need to be filled in separately for that entity. In a simple example where an EU IPU (Intermediate Parent Undertaking) has a small number of entities under it and none of them have netting permission, each of the entities would need to complete the templates individually as they do not have permission to offset and the IPU would report on a solo and not on a sub-consolidated basis.

Question 2– CIU reporting Is it clear how positions in CIUs are to be reflected in the three template groups (SBM, RRAO, DRC) of the A-SA templates? If you identify any issues, please suggest how to clarify their treatment in the templates and/or instructions.

The industry believes that the templates are clear on how positions on CIUs should be reflected, once the CRR3 is implemented.

Question 3– Comments on the overall A-SA reporting

a) **Did you identify any issues regarding the representation of A-SA (policy) framework in the reporting templates?**

Yes. We believe that there is a redundancy when reporting both weighted and unweighted sensitivities. As the weights to apply are "static" in the sense that are dependent on the regulatory parameters applied, and these sensitivities will be reported under the allocated bucket, the corresponding risk weight to be applied is prescribed and therefore does not need to be provided. It should be noted that many firms' SA models apply the appropriate risk weight based on the risk inputs and therefore the risk weight is not generated with the inputs as a natural interim calculation step.

In addition, we consider that the unweighted sensitivities are the right measure to report, as the calculation of the weighted sensitivity is very simple and would not add additional information of value to the capital calculation process. Instead, the calculation of each raw sensitivity is where the real difficulty lies.

b) Are

- **the scope of application of the requirement to report the different templates,**
- **the scope of positions/instruments/profits and losses etc. included in the scope of every template,**
- **the template itself and**
- **the instructions clear?**

Precisions are expected on reporting requirements for A-IMA desks under A-SA. Indeed, instructions (particularly points 47 and 48 of the EBA consultation paper) are open to interpretation and hence further clarification is needed on which information should be populated on A-SA templates for A-IMA desks.

If you identify any issues, please clearly specify the affected templates and instructions and include suggestions how to rectify the issues.

Although these are clear and based on data and metrics already used in the calculation of FRTB-SA capital, we believe that the number of templates and granularity of information required add complexity and implementation costs way beyond the current COREP requirements.

In general, we consider it reasonable to report the own funds requirements at consolidated level for a financial Group and its individual sub-groups. However, we believe the proposed breakdown by each of the risk classes would add further complexity and burden due to the high number of templates and the granularity of the information, the extra time required to fulfill the information and the validation processes to be implemented; especially in case more granular COREPs for each of the sensitivities would be required. In particular, we note that in practice it is often the requirements for senior management to approve the numbers in each return, that creates the operational burden, while not focusing on content relevant to risk management.

In this case, we suggest that these specific and more granular information COREPs' should be, if required, elaborated on an ad-hoc and not on a regular basis.

From a specific COREP template standpoint, we have identified the following detailed comments:

a) Reporting on Sensitivities Based Method

In many areas, the set of templates requires data that is more granular than that provided for the semi-annually Basel Estimates[1]. For instance, the worksheet "TB risk class" panel A on General Interest Rates Risk does not require a breakdown by tenor. The Basel Estimates template requires only the equivalent of the columns 1000 to 1080 (delta, vega and curvature per bucket and per scenario). In general, we see the Basel Estimates as sufficient to meet the objective of the EBA, give some insights into the process for calculating own funds requirements and sufficient information to monitor risks embedded in the trading portfolios. Keeping the reporting requirements in terms of the amount of data and template layout close to those of the Basel estimates will have the additional benefit of a simpler and faster implementation.

b) Reporting of unweighted and weighted sensitivities. The templates per risk class (templates 92.01 – 92.07) require reporting both the weighted and unweighted sensitivities.

We believe that reporting both measures is unnecessary because the corresponding risk weight is prescribed depending on which bucket the different sensitivity is allocated due to the features of the underlying risk factor. Therefore, this requirement would add significant burden and no valuable information to the supervisory authorities. We believe that the unweighted sensitivity is where the real value is contained, so we suggest reporting only this measure. Again, it should be noted that many firms SA models apply the appropriate risk weight based on the risk inputs and therefore the risk weight is not generated with the inputs as a natural interim calculation step.

c) 92.01 GIRR, columns 0150 – 0390: It needs to be clarified in which "tenor bucket" Inflation vega is to be inserted. In general, FRTB rules are not clear on how to handle Inflation vega as there is no tenor dimension available. The industry recommends following the proposed framework for SA-CVA (that are supposed to mirror the FRTB), Article 383l (3):

"The correlation parameter that institutions shall apply for the aggregation of inflation rate vega risk factor sensitivity and interest rate vega risk factor sensitivity denominated in the same currency shall be 40%."

If this is the correct approach , then a dedicated column for Inflation vega would also be necessary (as it is already the case for inflation delta).

d) 92.02 CSR NonSec, rows 0100-0110, columns 0230-1080: The Industry highlights that it is not clear if the two sub-buckets under bucket 10 must be considered as different buckets or not. The expectation is to have only one Kb and one Sb per bucket 10 (sub-buckets are aggregated together although with different RWs)

[1] Basel III monitoring template https://www.bis.org/bcbs/qis/

e) 92.06 COM, rows 030-040: Similar to the point above regarding sheet 92.02, it needs to be clarified if buckets 3 and 3a should be considered as separate buckets.

f) Templates C 92.07.1 (FX1) and C 92.07.2 (FX2) We consider that the breakdown requested by all currencies is too granular and adds little supervisory value, we suggest therefore to report at risk currency level with the major cross currencies such as the top 10 currencies and to create a category 'Other' for less significant currencies.

g) Reporting of the RRAO (template 93): The breakdown of non-exotic instruments into groups of specific instrument types rather than the regulatory categories (i.e. gap, correlation, pre-payment etc.) is unnecessarily granular and adds little supervisory or risk management value. Further to this, instruments with pre-payment and/or behavioural risks can only be assigned to category "200: Other instruments exposed to residual risk". If a more granular breakdown is required, the industry recommends the use of the residual risk categories of the framework instead of instrument types. Therefore, we suggest eliminating the fields 0060 – 0100 from the template.

   We also believe that the requested breakdown of RRAO-exempted positions does not provide useful information vis a vis the effort needed to produce. We believe that providing the aggregated nominal value of the positions exempted is sufficient, as every RRAO trade is different. Therefore, to truly understand if the trades are correctly exempted, we would need to consider RRAO at a trade level, which is highly impractical from a reporting perspective. Consequently, our proposal is to eliminate fields 0020 – 0040.

Question 4– Comments on the overall A-IMA reporting a) Did you identify any issues regarding the representation of A-IMA (policy) framework in the reporting templates? b) Are

- **the scope of application of the requirement to report the different templates,**
- **the scope of positions/instruments/profits and losses etc. included in the scope of every template,**
- **the template itself and**
- **the instructions**

clear? If you identify any issues, please clearly specify the affected templates and instructions and include suggestions how to rectify the issues.

Please find below the industry feedback on specific templates:

1. On Template C.95 SUM the requirement to include memorandum items needs further clarification, especially regarding what constitutes and how Institutions should fill the "Recognition of extraordinary circumstances" column. In addition, clarification is required on the different definitions of the wording "for IMA desks" and "for all IMA desks" in columns 0110 and 0120 respectively. Specifically, clarification is required if the first one implies desks currently capitalized under IMA (based on the outcome of backtesting and PLAT) while the other all desks in IMA scope (regardless of treatment).

2. On Template C.96.03 PES the requirement is to include the scope of risk factors. However, further clarification is required if institutions are expected to include multiple rows for each date that will be distinguished by column 0010. Further clarifications is also required in respect of whether institutions are expected to include the unconstrained ES in those rows that only include all risk factors.
3. Templates C 96.04.1 (Instructions page 71-72: for 0050 and 0070) and C 96.04.2 (Instructions page 73 for 0080 0100 and 0120) are open to interpretation and hence further clarification is needed for the requirement to calculate p-values that "shall be determined as the probability of obtaining an APL/HPL/RTPL result that is at least as low as the one on that date t under the assumption that the APL/HPL/RTPL is the distribution used to determine the Value at Risk number". Specifically, the industry questions whether institutions are expected to compare the APL/HPL/RTPL results to the empirical distribution of the P&Ls used for calculating VaR and give it a percentile (i.e. p-value), or if institutions are expected to use historic APL/HPL/RTPL timeseries and calculate the p-value based on the corresponding VaR.
4. On Templates C 96.04.2 (Instructions page 73 for 0020) clarification is required regarding the requirement to include "any business day in the quarter". Specifically, whether it is expected that the set of business days may vary for each individual trading deskor alternatively, whether institutions are expected to populate the same set of global business days across trading desks with potentially only VaR and ES populated (and no corresponding APL, HPL or RTPL) on non-trading days for particular desks.
5. On templates C 98.01.1 (DRC1), C 98.01.2 (DRC2) : Information is requested on the aggregations based on default probabilities and LGDs which do not form part of the interim calculation steps and will accordingly result in very significant and disproportionate reporting obligations.. We suggest therefore the reporting only of figures needed for capital purposes and that are relevant from a capital perspective .

In addition, at places the ITS refers to the CRR2 framework and reporting requirements. We understand that it will have to be updated to meet the final provisions of CRR3. It is important that this takes place fully and in sufficient time before the ITS becomes applicable. For instance, the expression of the k-coefficient in point 52 of page 20 will have to be changed likely to $k = 0.5 \cdot \frac{\sum_{i \in Y} SA_i}{\sum_{i \in G,Y} SA_i}$.

Question 5– Profit and loss data The objective of this template is to obtain (economic) profit and loss values, that can be compared to the own funds requirements calculated on the basis of the FRTB approaches, i.e. which are, at least to some extent, conceptually compatible with the latter. Against this background, and as explained above, the instructions specify only certain 'minimum requirements' regarding the profit and loss data to be reported. Beyond those minimum requirements, institutions are free to make their own methodological choices.

Does this approach work for you? Or do you need any further, or different, guidance regarding the elements of the P&L and the scope of the positions to be covered by that P&L? Which additional specifications could facilitate your compliance with this reporting requirement? Which general methodology would you envisage to allocate P&L to the risk classes of the sensitivities-based method?

The industry suggests that this template should be deleted from the scope of the ITS. We believe that this information is being delivered in other COREP templates, which while unrelated to FRTB, still contain the official risk information and the same measure sought in this proposed report. Therefore, this potential template would only add more reporting burden and will duplicate the information delivered to supervisory authorities.

If the aim is to capture data relevant to P & L attribution, then the reporting requirement should only be relevant to A-IMA banks and should only be used as a supervisory tool to ensure bank specific PLA test works appropriately.

Furthermore, the additional proposed requirement to provide daily P&L data for each offsetting group means a significant increase in effort, especially as the breakdown by risk classes exceeds the current requirements for internal models. The industry suggests that the P&L should only be provided as of the end of the quarter according to OFR. If the EBA was to proceed with additional P&L reporting for FRTB specifically, allocation of the P&L to risk classes should be based on internally used P&L explanation functionalities.

In addition, the requirement described in the ITS for this template is also for horizontal review purposes. Such a horizontal review can be performed outside of the COREP reporting. Those templates have been filled in the past in response to ad-hoc requests from the ECB, without involving the very significant additional burden of a quarterly production within the COREP templates.

Question 6 - Reporting on reclassifications between books

a) **Did you identify any issues regarding the representation of the prudential framework for reclassifications and the associated own funds requirement in the reporting template?**

No, we have not identified issues in relation to this.

b) Are the scope of application of the reporting requirement, the scope of transactions to be reported in the template, the template itself and the instructions clear? If you identify any issues, please include suggestions how to rectify them.

There might be exceptional and very rare cases where a prudential reclassification is triggered by an accounting reclassification under IFRS 9 in case of a modification of the business model under which the financial asset is held (for instance in or outside of the Held for Trading business model). The determination of a business model is not determined when a particular instrument is classified for accounting purposes but is carried out at a higher level, namely at the level that reflects how groups of financial assets are managed together to achieve a particular business objective. In such an exceptional and rare case, regarding the scope of transactions, the template should reflect the granularity of this higher accounting level (Business Model Organization of financial assets) and not reporting at the level of each individual instrument.

Question 7 - Reporting on the boundary between trading and banking book

a) **With regard to the data to be provided in such a template, which measures (book value, notional value, market value, other measure) do you deem most appropriate for the monitoring of the boundary between the books?**

We believe the market value for trading book would be sufficient for monitoring purposes, when considering the banking book, the accounting value is be the most appropriate measure.

Which measures do you use or plan to use for your monitoring of the allocation between the two books and can you therefore provide, considering possible breakdowns by instrument type or element of the boundary framework (as per Article 104 of the draft CRR3), accounting treatment and allocation to regulatory books?

With regards to the existing boundary monitoring, some of our members have highlighted that they have currently a TB/BB boundary policy in place that regulates the allocation of each position/instrument according to the trading and banking book boundary. Their corporate policies, when applicable due to their organizational structure, have been transposed locally by the relevant market risk units that are responsible for applying the boundary criteria at local level.

In addition, some members have indicated they have already in place quarterly internal controls to ensure the trading book boundary is well identified:

- Reviewing the trading and banking desk inventory to ensure no banking position is managed in a trading desk or vice versa.
- Reviewing whether the trades between the TB and the BB are IRT (Internal Risk Transfers) or LT (Liquidity Transfers) accepted by internal policy and ensuring that these trades do not lead to any capital savings.

Which breakdowns do you monitor internally, and are there any constraints regarding the use of certain metrics for certain breakdowns?

We believe such level of detail/granularity would not be relevant for FRTB reporting purposes as it is already included in other financial reports. Our understanding is that only the exceptions to the internal policy should be reported in addition to the trades between the TB and the BB (which could lead to RWAs savings).

b) Which benefits and challenges do you foresee as regards this reporting? Which issues should be taken into account or addressed, to maximise the benefit and reduce the cost of compliance with this particular reporting requirement?

As explained in the executive summary of this consultation response, we do not believe that it makes sense to develop the ITS for boundary reporting without the CRR3 components that will significantly alter the requirements. In addition, as this report would add a considerable burden for the supervisory reporting, it is not clear what would be measured through such a template nor the rationale for its incorporation into the Supervisory reporting framework.

We believe that this template should only apply under the CRR3 requirements to avoid unnecessary temporary burden that does not add supervisory or risk management value, particularly, given the EBA's 'no action' letter on implementing the temporary CRR2 boundary. Moreover, additional information on the boundary between TB/BB should be provided on an ad-hoc basis, if necessary, rather than on a regular basis, thus avoiding an unnecessary increase in the reporting requirements.

Question 8 - Interactions between the ITS on Supervisory Reporting and these ITS

a) Do you have any comments on the considerations regarding the interactions and links between the ITS on FRTB reporting and the ITS on Supervisory Reporting presented above?

The industry expects that with introduction of the FRTB templates, there will be many legacy templates which are populated for MR (including C19) which will be discontinued. However, there exists a link between C19 and the SECDETAILS forms (C14.00 and C14.01). It is not clear what is to happen with the columns, which refer to C19 in C14.01. These are:

SECURITISATION POSITIONS - TRADING BOOK		
CTP OR NON-CTP?	NET POSITIONS	
	LONG	SHORT
0450	0460	0470

There, numbers are populated as they are used for populating C19. These represent the specific risk capital requirements for trading book under the market risk standardized approach and are taken from the granular calculation of capital requirements calculated on a positional level and aggregated on securitization deal level for C14.01 population purposes.

Under FRTB it would be unclear how to populate these columns, whether the capital requirements for DRC only would be used – as DRC risk-weights are calculated under the securitization framework for own fund requirements, CRR part III Title II chapter 5 – or whether all the capital components for trading book applicable to securitization positions would be applied. In addition, to populate C14.00 and C14.01 a granular view of the capital requirements for trading book positions would be needed in order to aggregate numbers at a securitization deal level.

However, the capital requirements under FRTB are calculated at the granularity of risk buckets only and do not apply to individual positions anymore, without a redistribution of the risk bucket level amounts to individual positions.

We would suggest therefore the removal of the columns in C14.01 referring to trading book amounts and requirements as under FRTB these do not lend themselves for use in C14.01.

b) Did you identify any other issues regarding the interactions and conceptual links between the ITS on FRTB reporting and the ITS on Supervisory Reporting, either resulting from the CRR or the discussion on the CRR3, that should be considered? If yes, please also include suggestions how to rectify those issues.

For the purpose of CRR article 244 2, an originating institute is at all times required to have a view on the exposure for all the positions retained in a securitisation, issued by the institute themselves and therefore taking the role of Originator. This includes trading book as well as non-trading book positions and in some cases for testing, whether criteria for significant risk transfer is met, also the corresponding capital requirements are needed. However as outlined above, FRTB is not providing for an overall capital requirement at position level, but rather only at risk bucket level.

We would suggest that trading book positions for the purpose of significant risk transfer contributions should be treated in the same way as a corresponding banking book securitisation position.

Question 9 - Cost of compliance with the reporting requirements Is or are there any element(s) of this proposal for new and amended reporting requirements that you expect to trigger a particularly high, or in your view disproportionate, effort or cost of compliance? If yes, please

- **specify which element(s) of the proposal trigger(s) that particularly high cost of compliance,**
- **explain the nature/source of the cost (i.e. explain what makes it costly to comply with this particular element of the proposal) and specify whether the cost arises as part of the implementation, or as part of the on-going compliance with the reporting requirements,**
- **offer suggestions on alternative ways to achieve the same/a similar result with lower cost of compliance for you.**

As mentioned, the industry considers that the number of templates is challenging and disproportionate as a general reporting requirement for all institutions. The high volume/granularity of information that is requested would lead to an administrative burden and would also lead to high implementation costs.. This does not appear commensurate with the proportionality principle, particularly for small trading books. Implementing robust processes to comply with the significant increase in information requested takes time and results in material burden for management to approve the submissions. Therefore, we suggest that a more limited set of updated templates should be applied as a general FRTB reporting requirement, and for Q1 2025 reporting date, in line with the CRR3 implementation.

Currently banks are required to complete two reporting templates to fulfil the FRTB SA reporting requirements, while the Draft ITS proposes that twenty nine templates would be required for FRTB reporting. We urge the EBA to re-evaluate the requirement, given the additional burden for the institutions that already report numerous market risk templates to the competent authorities (within and outside the FRTB COREP framework). Where the data requested is part of a usual interim calculation step, there can be some justification for the additional requirements. However, where it is not or where it requires the calculation on a sub-portfolio that would not otherwise be required (such as those at metric or risk class level), we consider the data request to be unnecessary.

The following templates introduce new requirements which do not appear necessary:

- Template C93 RRAO: The breakdown of non-exotic instruments into groups of specific instrument types rather than the regulatory categories (i.e. gap, correlation, pre-payment etc.) is unnecessarily granular and adds little supervisory or risk management value.
- Template C96.04.1 BTI: TOTH 1d ES at 99% confidence is not required for the TOTH back-testing assessment and so it is a new (additional) calculation requirement.
- Template C96.04.1 BTI: p-value for APL/HPL is a new (additional) calculation requirement.
- Template C96.04.2 BTTD: Desk level 1d ES at 99% is a new (additional) calculation requirement.
- Template C96.04.2 BTTD: p-value for APL/HPL/RTPL is a new (additional) calculation requirement.

- Template C98.01.1 DRC1: Aggregation of JTD by PD band is a new (additional) calculation requirement.
- Template C98.01.2 DRC1: Aggregation of JTD by LGD band is a new (additional) calculation requirement.
- Template C98.02.1 CORR1 & CORR2: Data (JTDs, systematic factors and correlations) relating to top 25 issuers by DRC capital charge is a new reporting requirement.

- Finally, Template C94.1 DRC1: Aggregation of net JTD by credit quality band is not a usual interim calculation step.