EBA-ITS- 2024-07

9 August 2024

EBA Regular Use

Final Report

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

Contents

1. 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 2025 benchmarking (BM) exercise the following changes are suggested:

- For market risk (MR), templates and instructions for the new Alternative Internal Model Approach (AIMA) framework, reflecting the changes introduced with the FRTB were removed, compared to the Consultation, as a consequence of the one-year postponement of its implementation announced by the European Commission, reverting de facto to the previous templates (with a minimal amendment to the templates for ASA data collection and its instructions). Moreover, an extension of the existing set of instruments and portfolios is suggested to benchmark banks' implementations of the regulatory SBM aggregation logic. The 2025 exercise timeline was postponed by a few months compared to the usual timeline to give banks more time to prepare for the exercise.

- For credit risk (CR), minor changes are proposed exclusively for the instructions related to 5 columns of the templates C.102 and C.103 and 2 columns of the template C.105

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.

2. Background and rationale

2.1 Market risk benchmarking

1. The finalisation of the 2025 ITS update to the market risk benchmarking exercise templates were significantly revised by the actions given the European Commission announcement that it will adopt a Delegated Act in accordance with Article 461a of the CRR3, postponing the implementation of the FRTB for capital calculation purposes.

2. The implementation of the templates to introduce the data collection for the Internal Model Approach (IMA) framework, reflecting the changes introduced with the FRTB were removed from the final ITS, compared to the Consultation Paper, factually reverting to the previous framework.

3. Therefore, the only substantial change, compared to the previous implementation, is the data collection of the validation information for the alternative standardised approach (ASA) which is extended by including the remaining assets class that were not included in the 2024 framework, which covered only the Interest Risk in its first application.

4. This change to the ASA validation Annex was made in preparation for extending the benchmarking to the FRTB ASA approach, which is going to be implemented by a substantial number of institutions, far beyond the current scope of the exercise, which only involves IMA banks. Once the new mandate in Article 78 of the CRD is applicable[1], the number of subjects in the scope of the ASA data collection is likely to exceed 100.

5. The potential shift in the scope of the ASA is significant, with the number of subjects possibly exceeding 100, compared to the current 40+ subjects in the market risk benchmarking exercise. This shift also means a substantial change in own fund requirements, with a majority moving to FRTB ASA, and a significant but minority amount remaining within the IMA requirements. Therefore, the EBA benchmarking exercise will focus heavily on the ASA framework, which justifies the extension of the validation portfolio. This extension aims to provide a tool for supervisors to assess the proper implementation of ASA, in particular the correct application of risk weights and aggregation logic. More detailed information on the changes in the market risk Templates in the following section.

[1] "(b) that institutions using the alternative standardised approach set out in Part Three, Title IV, Chapter 1a, of Regulation (EU) No 575/2013 report the results of their calculations for their exposures or positions that are included in the benchmark portfolios, provided that the size of the institutions' on- and off-balance-sheet business that is subject to market risk is equal to or greater than EUR 500 million in accordance with Article 325a(1), point (b), of that Regulation;"

Source: https://www.europarl.europa.eu/doceo/document/TA-9-2024-0362_EN.html

It should be noted that the expected entry into force of this mandate is 18 months after the publication of the CRR3/CRD6, where no transposition into national low was done earlier.

6. The scope of entities included in the 2025 market risk benchmarking exercise remains unchanged from the 2024 exercise.

2.1.1 Amendments to Annex 5

7. A series of changes were introduced to the Annex 5. The changes are listed here below.

- A new series of portfolio was created. Historically portfolios were split into Individual and Aggregated. The individual portfolios were made by the aggregation of one or more instruments. The proposal would be now to split the Individual portfolio into single instrument portfolio and multi-instruments portfolio. This would allow to better understand the component in the multi-instruments portfolio that generate variability in the risk measures.

- Update of the reference dates, to the new 2025 exercise and small amendments to few instruments (203, 205).

2.1.2 SBM validation portfolios

8. 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.

9. To reduce these sources of variability for the benchmarking of the ASA SBM, it was specified instruments and portfolios 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.

10. The set of SBM validation portfolios for the Delta component of the general interest rate risk class of the ASA SBM, was adopted in the previous exercise as this risk class is relevant across all

participating banks and relevant for most financial instruments. With this consultation, EBA is suggesting extending to all asset classes the same kind of data collection.

11. Moreover, it is suggested to move the reporting of these results of their SBM calculations for the SBM validation portfolios as part of the Initial market valuation submission, in order to early detect issues in the benchmarking ASA submission.

2.1.3 Significant changes with respect to the Consultation Paper

Several key changes have been implemented in direct response to the consultation feedback, which are detailed in the following section.

A. Removal of the AIMA-FRTB templates (RFET, Stress period, Daily Risk Measures, Partial Expected Shortfall, backtesting, Stress scenario risk measures), as a consequence of the Commission announcement that it will adopt a Delegated Act in accordance with Article 461a of the CRR3, and the delay of the FRTB of 1 year. It should be recalled that this version of the ITS templates, consistent with the old IMA framework, is contingent to the entering into force of the European Commission delegated act that delayed the FRTB implementation.

B. Reverting to the previous scope of portfolio submission — The decision to decrease the number of portfolios was primarily influenced by the fact that the AIMA data collections was a new exercise for banks in the scope of FRTB AIMA. Since the banks in the scope of the 2025 exercise remain substantially the same as of 2024, and the templates to collect the data are well-known, the reason for reducing the data collection is no longer legitimate.

C. Postponed timeline — still considering that the news of the delayed implementation of the FRTB was provided only in June 2024, which is a timing where normally the benchmarking framework gets updated, it seems opportune to postpone the timeline for a few months to allow banks, that were not supposed to take part to the FRTB AIMA benchmarking exercise, to prepare for the participation in the IMA benchmarking exercise.

D. Clarification to a series of instruments—As suggested in response to the Consultation, a series of suggestions, mostly rewording or simple additional specifications, on the instrument listed in section 2 of Annex 2 (i.e. Annex 5 of the original ITS). The instruments that were amended/clarified are 101, 201, 202, 204, 206, 208, 216, 218 - 224, 301 - 311, and 401 - 405.

2.2 Credit risk benchmarking

12. In the current version of the ITS the columns 61, 62, 131, 132 and 133 of the templates C.102 and C.103 and the column 140 of the template C.105.01 collect information enabling to evaluate the impact on the risk metrics of eventual prudential add-ons or margins of conservativism (conservative adjustments). For these columns, the current instructions specify that the institution may omit the information in case it is not able to disentangle the conservative adjustments. It is proposed to modify this by requiring institutions to apply the general principle specified in point (3) of the "Part I: General Instructions" of the same Annex, in case institution is unable to isolate the relevant conservative adjustments. In this regard, the proposed amendments clarify the mandatory nature to report the PD and LGD risk parameters with regards to the MoC, regulatory add-on and DWT components. Further, the column 10 of the template C.105.01 contains the names of the models as they were defined by the institutions. It is recommended that the models' identifier assigned by the competent authority should be used. However, if this identifier is unavailable, the reporting institution should report the internal model ID.

2.2.1 Amendments to Annex 4

13. As mentioned in the previous paragraph, only limited changes were introduced to Annex 4. The changes are listed below:

    a. In the templates C.102 and C.103, the sentence "The information in columns 0061-0062 and 0131-0132 may be omitted, where institutions are not able to isolate the relevant conservative adjustments in its PDs and LGDs used for the RWA calculation due to ongoing model changes." is removed. Furthermore, it is introduced in template 102 for the columns 61, 62, 131, 132 and 133 the sentence "In case the institution is not able to isolate the relevant conservative adjustments, the Part I General Instructions, point 3 shall apply."

    b. For the column 10 of the template C.105.1 the sentence "The internal model ID assigned by the reporting institution shall be reported." is substituted by the sentence "The internal model ID assigned by the competent authority shall be reported. In case this is unavailable, the internal model ID assigned by the reporting institution shall be reported."

    c. For the column 140 of the template C.105.01 the sentence "The information in column 0140 may be omitted." is substituted by the sentence "In case the institution is not able to isolate the relevant conservative adjustments, the general instructions, point 3 shall apply."

2.3 Summary of amending Annex

The table below a table to recap the content of the Annex attached to this amending ITS and the Annex of the original ITS that is meant to substitute.

CONTENT	ANNEX OF THIS AMENDING ITS	ORIGINAL BENCHMARKING ITS ANNEX AMENDED
(CR)	Annex 1	Annex 4
INSTRUMENTS & PORTFOLIOS (MR)	Annex 2	Annex 5
INSTRUCTIONS (MR)	Annex 3	Annex 6
TEMPLATES (MR)	Annex 4	Annex 7
SBM VALIDATION (MR)	Annex 5	Annex 10

3. Draft implementing standards

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[2], and in particular Article 78(8) the third subparagraph thereof,

Whereas:

(1) Pursuant to Article 78(1) of Directive 2013/36/EU, institutions are required to submit to their competent authority, at least annually, the results of the calculations of their risk weighted exposure amounts or own fund requirements under their internal approaches for exposures or positions that are included in the benchmark portfolios, to enable that competent authority to assess the quality of those internal approaches ('benchmarking exercise'). Pursuant to Article 78(3), second subparagraph, of Directive 2013/36/EU, the European Banking Authority (the 'EBA') has to produce a report to assist the competent authorities in the assessment of the quality of the institutions' internal approaches, based on the results of the benchmarking exercise. The Commission specified the reporting requirements for the benchmarking exercise in Commission Implementing Regulation (EU) 2016/2070[1]. That Implementing Regulation has been amended regularly to reflect the changes in the focus of the competent authorities' assessments and of the EBA's reports. For the same reason, it is necessary to update once more the benchmark portfolios, and thus also the reporting requirements laid down in Implementing Regulation (EU) 2016/2070. For credit risk benchmarking, a minor amendment to the instructions should be included to clarify the mandatory nature of reporting PD and LGD risk parameters with regards to the MoC, regulatory add-on, and DWT components. Additionally, another minor amendment specifies that institutions shall report the models' identifier assigned by the competent authority.

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

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

(4) 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

[2] OJ L 176, 27.6.2013, p. 338–436.

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[3].

HAS ADOPTED THIS REGULATION:

Article 1

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

(1) Annex IV is replaced by the text in Annex I to this Regulation;
(2) Annex V is replaced by the text in Annex II to this Regulation;
(3) Annex VI is replaced by the text in Annex III to this Regulation;
(4) Annex VII is replaced by the text in Annex IV to this Regulation;
(5) Annex X is replaced by the text in Annex V to this Regulation;

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 (Market Risk Benchmarking)
Annex III (Market Risk Benchmarking)
Annex IV (Market Risk Benchmarking)
Annex V (Market Risk Benchmarking)

[3] 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).

4. Accompanying documents

4.1 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-2024 and thus relevant for the 2025 exercise.

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

4.1.1 Market risk

Regarding the EBA's market risk benchmarking data collection, the purpose is to extend the set of information collected on the ASA validation information.

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 risk measures collected (i.e. VaR, Stress VaR, IRC).

B. Policy objectives

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

The main objective of the implementation of the current draft benchmarking ITS is to extend the set of instruments and portfolios to have a data collection of the main element of the ASA FRTB framework.

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 the EU institutions which are meant to applying for the ASA-FRTB, 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 X, which would result in obtaining no information as the features of the AMA approach are not fully represented with the current set of templates.

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

The main arguments that support the revision of the template Annex X in the market risk benchmarking exercises are:

A. That the current set of instruments is incomplete to provide figures for the whole ASA FRTB framework;

B. potentially providing insights into the implementation of the new market risk standardised approach.

For the market risk part of the exercise, the current ITS could achieve the objective by expanding the set information collected. With new additional instruments in the Annex 10. 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 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.

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 should not be too burdensome, since the instruments are basically the same as before, and the data collection logic is very similar to the COREP logic.

Benefits: the benefits of this option arise from providing new and complete ASA-FRTB validation 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.

4.1.2 Credit risk

Regarding the EBA's credit risk benchmarking data collection, it is suggested to modify the instruction of 5 columns of the templates C.102 and C.103 and 2 columns of the template C.105 and remove the sentence "The information in columns 0061-0062 and 0131-0132 may be omitted, where institutions are not able to isolate the relevant conservative adjustments in its PDs and LGDs used for the RWA calculation due to ongoing model changes." in templates C.102 and C.103. Specifically, for columns 61, 62, 131, 132 and 133 of templates C.102 and C.103, as well as column 140 of the template C.105.01, it is specified that when the reporting institution cannot provide the information due to an inability to disentangle the prudential adjustments, the cell should be filled in accordance with the point 3 of the "Part I General Instructions". While these proposed changes clarify the mandatory requirement to report the PD and LGD risk parameters with regards to MoC, regulatory add-on, and DWT components, institutions are still allowed to apply the principle as outlined in point 3 of the "Part I General Instructions" of the same Annex. For this reason, these changes are in the direction of not entailing additional costs for the reporting institution. For the column 10 of the template C.105.1 it is specified that the model ID defined by the competent authority should be used when available. Again, in this case, the additional costs appear to be limited, but this could simplify the exchanges between institutions and the competent authorities.

4.2 Overview of questions for consultation

Questions

MR Q1: Do you see any issues or lack of information required in the new templates suggested for the IMA FRTB benchmarking exercise (i.e. Annex 6 & 7)?

MR Q2: Do you think it is appropriate the restrict the data collection to only two asset classes (interest and credit spread risk) to begin the exercise? Please motivate your answer.

MR Q3: Do you think it is appropriate to ask to report also a PES with the same stressed risk scenario? Would you extend this possibility also to the SSRM?

MR Q4: Do you think it is appropriate/feasible to impose to report an instrument/portfolio as if all the risk factors in the instruments/portfolio would be eligible to pass the risk factor eligibility test?

MR Q5: As a follow-up to Q4, do you think it is appropriate/feasible to impose to report an instrument/portfolio as if all the risk factors in the instruments/portfolio would fail to pass the risk factor eligibility test (i.e. report all the RF as if they were NMRF)?

MR Q6: Do you see any issues with the changes introduced in the Annex 5?

MR Q7: Do you agree with the proposed to extent the set of ASA instruments validation to all asset classes?

CR Q1: Do you agree with the proposed changes to the instructions in Annex IV?

4.3 Feedback on the public consultation

The EBA publicly consulted on the draft proposal contained in this paper.

The consultation period lasted for three months and ended on 31 March 2024. One response was received, and published on the EBA website.

This paper presents a summary of the key points and other comments arising from the consultation, the analysis and discussion triggered by these comments and the actions taken to address them if deemed necessary.

In many cases several industry bodies made similar comments or the same body repeated its comments in the response to different questions. In such cases, the comments, and EBA analysis are included in the section of this paper where EBA considers them most appropriate.

Changes to the draft ITS have been incorporated as a result of the responses received during the public consultation.

Summary of key issues and the EBA's response

The main issues raised in the feedback received were linked to the following aspects:

1. A Low number of internal model-approved banks participated in the exercise.
2. The possible delay in the FRTB implementation.
3. Overlap of new benchmarking requirements with other FRTB requirements such us OFR computations and reporting and the stress test exercise.
4. Decreasing usefulness of ASA validation.

The respondent suggested specifying a threshold with a minimum number of banks participating. EBA acknowledge that the number of AIMA banks has substantially decreased and is aware of the possible difficulties in conducting the exercise with few subjects participating. On the other hand, setting a threshold could be perceived as undermining the benchmarking mandate in the CRD.

Concerning the possible FRTB delay, the postponement of the implementation of the FRTB approaches for capital purposes was announce only the 18th of June[4], with the Commission announcement that it will adopt a Delegated Act in accordance with Article 461a of the CRR3.

Since the previous expectation was that only banks in scope of the AIMA FRTB would take part to the 2025 exercise, while now the postponement factually revert the situation to the previous scope of the exercise (banks with IMA approval), the 2025 exercise timeline was postponed compared to the usual timeline of a few months so that only the IMA banks in the scope of the IMA approval, which were not supposed to be part of the exercise, would have time to prepare to be part of the exercise, as for the previous benchmarking exercise.

Regarding the decreasing usefulness of ASA validation, the EBA acknowledges the argument, but considering the quality of the responses received on the ASA validation section until the drafting of these ITS, it considers that reducing this data collection is still premature. It reserves the right to implement some measures to reduce this burden once the quality of the validation set has improved substantially.

[4] The Commission announcement was provided by Commissioner McGuinness at the joint ECB-European Commission conference on European Financial Integration 2024, whose speech is available at the following link:
https://ec.europa.eu/commission/presscorner/detail/en/SPEECH_24_3362

Summary of responses to the consultation and the EBA's analysis

Summary of responses to the consultation and the EBA's analysis

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
General comments			
Aside from the summary of key issues, the EBA's response reported above, and the specific responses to questions in the Consultation specified below, a series of editorial suggestions, categorised as rewording or simple additional specifications, were made on the instrument specifications as listed in section 2 of Annex 2 (i.e. Annex 5 of the original ITS). The track changes of the suggestions are readily accessible in the Consultation Paper's response as published on the EBA website. The instruments that were amended are the following: 101, 201, 202, 204, 206, 208, 216, 218 - 224, 301 - 311, and 401 - 405.			
Responses to questions in Consultation Paper EBA/CP/2024/03			
Do you see any issues or lack of information required in the new templates suggested for the IMA FRTB benchmarking exercise (i.e. Annex 6 & 7)?			
Uncertainty on the implementation of the IMA FRTB 2025 benchmarking exercise.	Respondents note that there is currently a lot of uncertainty for the IMA FRTB 2025 benchmarking exercise. By the time the uncertainty is removed, we will be close to the next benchmarking cycle with nearly no time for the implementation of additional capabilities. Further, such implementation would compete for resources against other projects, like readiness for first own funds requirements ('OFR') reporting for the end of Q1'25. Respondents recommended that the EBA utilise figures which are	The EBA runs the exercise with a stable schedule to reduce uncertainty. On the other hand, the EBA acknowledges that running the exercise during a period that overlaps a change in the framework for IMA banks could be challenging. Moreover, the delay of the FRTB implementation, clears any issue linked to which scope of the benchmarking exercise is applicable.	The final reference date of the exercise was postponed in order to allow time for the IMA banks to prepare for the exercise. The templates for the data collection of the new FRTB risk

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	part of COREP templates and request no additional data beyond that, for example, ES estimator (1d, 99%). The respondents would like to ask EBA to review the required risk measures per portfolio. VaR, stressed VaR and IRC would no longer deemed relevant by the firms post FRTB go live, but the proposed templates by the EBA include those measures.		measures (ES, RFET, NMRF etc) were also removed from the templates' annexe (annexe 7 of the original regulation– Annex 5 of the amending ITS as well as from the instruction.
MR Q2: Do you think it is appropriate to restrict the data collection to only two asset classes (interest and credit spread risk) to begin the exercise? Please motivate your answer.			
There is a low number of banks in the exercise, and there is a suggestion for a threshold to limit the number of submissions.	A quantitative benchmarking exercise requires a reasonable number of participating firms to support a horizontal comparison of results. The respondents suggest introducing a threshold for a minimum number of participant firms. Below this threshold the exercise should not be conducted in its proposed form. The industry would propose a minimum threshold of 5 firms. In the absence of a quantitative benchmarking exercise an alternative could be to conduct benchmarking based on qualitative criteria that would give regulators insights on certain aspects, e.g., overview on modellable risk factors.	EBA acknowledges that the number of IMA banks has substantially decreased and is aware of the possible difficulties in conducting the exercise with few subjects participating. On the other hand, setting a threshold could be perceived as undermining the benchmarking mandate in the CRD. Setting a threshold which is challenging to calibrate could potentially harm future exercises. A qualitative survey could always be put in place for future analysis. Nonetheless the implementation of the FRTB delay, revert the scope of the exercise back to the IMA banks.	No threshold was established for the participation to the exercise.
MR Q3: Do you think it is appropriate to ask to report also a PES with the same stressed risk scenario? Would you extend this possibility also to the SSRM?.			

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
Challenges with regards to aligning/prescribing stress periods and risk scenarios.	Respondents highlighted the challenges of aligning/prescribing stress periods and risk scenarios. • The use of prescribed stress periods could present implementation challenges for firms that may require infrastructural changes. There are also operational challenges to sourcing and cleaning relevant data relating to historic periods unrelated to firms' real portfolio stress periods. • Without detailed instructions defined upfront in the ITS to ensure uniformity of approach for firms to resolve data gaps, there would be a significant variability in results associated with this approach. Variability in results by aligning stress periods would be expected regardless of differences in the methodology applied to determine the scenario of extreme shock across firms.	EBA acknowledges the challenges firms could incur in setting up ad hoc infrastructure to compute these measures. While these possibilities could be reconsidered when the new exercise is more mature, EBA will collect figures that are more aligned with the COREP requirements. Moreover, the implementation of the FRTB delay, void the content of this suggestion on the CP.	The request to provide stressed figures with the same stress period was removed from the templates and instructions, as long as the rest of the FRTB AIMA templates
MR Q4: Do you think it is appropriate/feasible to impose to report an instrument/portfolio as if all the risk factors in the instruments/portfolio would be eligible to pass the risk factor eligibility test?			
Artificially forcing trades to pass risk factor eligibility test	In general, artificially forcing trades to pass or fail the risk factor eligibility test ('RFET') outside of a firm's actual implementation of FRTB could present significant data challenges. If a bank deems a risk factor to be non-eligible, the bank is unlikely to have the required time series/market data, or at least not enough to support eligibility. As a result, it would be complicated to include the risk factor in the	EBA acknowledges that artificially forcing trades to pass or fail risk factor eligibility tests could present data challenges for banks. While these possibilities could be reconsidered in the future, when the new exercise is more mature, EBA will not proceed with such a request for the moment. Moreover, the implementation of the FRTB delay, void the content of this suggestion on the CP.	No changes to the ITS based on this response.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	computation of expected shortfall (ES) and other relevant measures.		
MR Q5: As a follow-up to Q4, do you think it is appropriate/feasible to impose to report an instrument/portfolio as if all the risk factors in the instruments/portfolio would fail to pass the risk factor eligibility test (i.e. report all the RF as if they were NMRF)?			
Artificially forcing trades to fail risk factor eligibility test	The operational difficulty in complying with this request would be significant as it would require firms to deviate from the risk factors firm's use in the firm's production computation. This deviation would involve having to artificially create dummy risk factors for some/all the hypothetical portfolio instruments that would ordinarily pass RFET in production. Any results would not be representative of a firm's actual implementation, unless firms also provide a representative view of what they would have submitted with their own set of risk factors, which would represent a huge workload. It is unclear whether the benefit derived from this would outweigh the significant effort required to support this ask.	EBA acknowledges that artificially forcing trades to pass or fail risk factor eligibility tests could present data challenges for banks. While these possibilities could be reconsidered in the future, when the new exercise is more mature, EBA will not proceed with such a request for the moment. Moreover, the implementation of the FRTB delay, void the content of this suggestion on the CP.	No changes to the ITS based on this response.
MR Q6: Do you see any issues with the changes introduced in the Annex 5?			
New portfolios and instruments in the list of products	It is our understanding that this question should refer to Annex II and the changes contained within the Portfolio definition with the additional portfolios containing each single instrument. Although the industry can see no technical issues with the proposed changes it would like to point out the exercise has undergone substantial changes in the last 4 years. The 2021 Benchmarking exercise	In the past, the EBA has changed the composition of instruments and portfolios very marginally to facilitate banks' booking tasks and improve the quality of data submission. On the ASA validation side, the additional asset classes in the validation portfolios seem to be a	No changes to the ITS based on this response.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	made use of 81 instruments, 66 portfolios and 14 templates. In the latest proposed ITS, this has expanded to 105 instruments, 105 individual portfolios (single instruments), 56 individual portfolios (multi-instruments), 7 aggregated portfolios, 537 instruments for SBM validation purposes, 388 SBM validation portfolios and 23 templates. For a participating firm every new or changed feature and/or set-up in scope of the exercise, means a change request or a new implementation, thereby putting additional constraints on IT, business, and risk resources, both in initial set-up and on a recurring basis.	necessary step in enhancing the quality of the FRTB ASA implementation.	
MR Q7: In order to reduce the submission burden on the banks, would it be feasible for submitters to have just one submission for A-SA SBM and DRC RM (aligned to IMV submission and relating to the same reference date)??			
Chage in the timing of SBM data submission	Although a single submission is feasible, it would not be preferable for the industry to submit as per the proposed timeline all ASA RM figures aligned to the current timeline associated with the IMV submission. This would not give the banks sufficient time to maximise the data quality of their submission. The current timeline allows firms to participate in the ISDA Dry Run which makes a significant difference in improving data quality. The proposed timeline would result in submissions being more volatile driven by implementation errors, e.g., in trade setup, portfolio setup, etc. This would reduce the added value for all parties involved as part of outliers will most likely be linked to operational errors.	EBA acknowledges the preference for banking participation not to change the framework. While these possibilities could be reconsidered in the future, when the new exercise is more mature, EBA will not change this matter for the moment.	No changes to the ITS based on this response.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	When surveyed 79% of firms would prefer to stick to the current timelines, with 50% preferring to remove the submission of initial sensitivities as part of IMV to help reduce the operational burden.		
MR Q8: Do you agree with the proposed to extent the set of ASA instruments validation to all asset classes?			
Potential redundancy of some ASA validation data submissions	Respondents understand the benefits to running the validation portfolios to inform the data quality of the benchmarking submission results. However, the industry would like to point out the operational burden for firms to use synthetic sensitivity inputs in their system and the diminishing returns observed from recurring year-on-year submissions. We suggest the option to exclude submission for any/all validation instruments and portfolios that had been previously provided to national competent authorities. With respect to the specific set of test cases, the HRK test case is no longer relevant so can be removed.	On ASA validation side, the additional Assets classes in the validation portfolios seems a necessary step to enhance the quality of the FRTB ASA implementation. The HRK request is clearly accepted. EBA acknowledges the argument on the decreasing usefulness of the ASA validation submission to be repeated year-on-year; nonetheless, considering the quality of the responses received on the ASA validation section until the drafting of these ITS, it considers that reducing this data collection is still premature. It reserves the right to implement some measures to reduce this burden once the quality of the validation set has improved substantially.	HRK instruments/portfolios were removed.