Benchmarking exercises

Webinar | 12 May 2016
Benchmarking exercises - process

1. EBA defines benchmarking portfolios and reporting obligation
2. Banks calculate own funds requirements for the benchmarking portfolios
3. Banks report the results to the competent authorities and EBA together with an explanation of the methodologies used
4. EBA produce a report to assist competent authorities
5. Competent authorities assess the quality of the internal approaches
6. Competent authorities investigate the reasons for significant difference of the institutions from peers results and approaches
7. Competent authorities take corrective actions if there is a clear underestimation of own funds
8. Competent authorities share the results of the assessment with the EBA
9. EBA may issue guidelines and recommendations to improve supervisory and banks’ practices

ITS on benchmarking portfolios and reporting

RTS on assessment and sharing of results
ITS on benchmarking – main features

Legal basis and enforcement

- Mandate in Article 78 of CRD
- Endorsed as implementing acts by EU Commission (Regulation xxx/2016)
- Directly applicable in all EU Member States

Scope of application

- All institutions in the EU that calculate own funds requirements according to internal approaches
- Applicable at individual and consolidated level
- Hint: If required to submit COREP template C 08.01 -> also required to submit credit risk benchmarking data (COREP template C 24.00 -> market risk benchmarking)
ITS on benchmarking – main features

Reporting frequency: annual

Reference dates (2016 exercise):
  - IMV valuation date: 26/10/2015, 4:30pm GMT
  - Credit risk: exposures as of 31/12/2015
  - Market risk booking date: 15/10/2015
  - Market risk: risk and stressed measures as of 7/8/9/10/11 – 14/15/16/17/18 December 2015
  - Market risk: P&L series: 250 daily observations between 18 December 2015 and 19 December 2014 (backward)

Remittance dates (data submission to Competent Authorities):
  - Exception for 2016: 30 June 2016 for all data submissions
  - Thereafter:
    - IMV: in November
    - CR and other MR tables: in April
ITS on benchmarking – main features

Transitional provisions
- Phasing-in over time
  - 31/12/2015: High-default portfolios, Model characteristics, Market risk
  - 31/12/2016: Low-default portfolios, Hypothetical transactions, Model characteristics, Market risk
  - 31/12/2017: All portfolios

Technical translation of reporting requirements
- Data submissions via regular reporting channels -> Competent Authorities -> EBA
- Data point model and XBRL taxonomy
  - DPM helps reporters in data mapping
  - XBRL taxonomy required for submissions by Competent Authorities -> EBA
- Validation rules
ITS on benchmarking - structure

Structure of the ITS

- Annex 1: Credit risk benchmarking portfolios
- Annex 2: Credit risk benchmarking portfolios
  - Provides clarification of concepts used to define portfolios in Annex 1
- Annex 3: Credit risk reporting templates
- Annex 4: Credit risk reporting instructions
- Annex 5: Market risk portfolios
- Annex 6: Market risk reporting instructions
- Annex 7: Market risk reporting templates

Credit risk portfolios for 2016 exercise

High-default portfolios
- Exposure class ‘Corporates’
  - SME
  - Other non-SME (annual turnover lower than EUR 200 mn)
- Exposure class ‘Retail’
  - SME
  - Secured by immovable property

Portfolios defined using the following concepts (Annex 1, table 103)
- Country of residence of the counterparty (Currently limited to EEA countries);
- Type of risk (Credit risk, Counterparty credit risk);
- Exposure class; Default status; Collateralisation status; Collateral type; NACE code; Size of counterparty; LTV range
- Portfolios identified with a unique Portfolio ID

ATCORP0003CC

<Country of residence of the counterparty><Portfolio><Type of Risk>
Credit risk portfolio definition - example

Example: ATCORP0003CC

**ITS Annex 1 portfolio definition:**

- Exposure class: Corporates – other (i.e. non-SME);
- Country of residence of the counterparty: AT;
- Type of risk: Counterparty credit risk;
- Default status: Non-defaulted;
- Collateralisation status: Exposures with credit protection;
- Collateral type: Non Real estate funded collateral;
- All other concepts: not applicable

**ITS Annex 2 provides clarifications of the concepts used to define portfolios**
Credit risk reporting template - example

**ITS Annex 3 (Reporting templates)** defines the information items that are required to be reported for each portfolio (Selection of parameters below)

**C 103.00 - Details on exposures in High Default Portfolio**

<table>
<thead>
<tr>
<th>Portfolio ID</th>
<th>PD</th>
<th>EAD</th>
<th>LGD</th>
<th>Default rate latest year</th>
<th>Loss rate past 5 years</th>
<th>RWA *</th>
</tr>
</thead>
<tbody>
<tr>
<td>010</td>
<td>060</td>
<td>110</td>
<td>130</td>
<td>190</td>
<td>220</td>
<td>230</td>
</tr>
<tr>
<td>ATCORP0003CC</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

✓ **Portfolio ID serves as a unique row identifier for template C 103 data submissions**

**ITS Annex 4 (Reporting instructions)** provides definitions of the information items that are required to be reported as per Annex 3

**Q&As** provide additional clarifications and implementation guidance