REPLY AVANTAGE

March 2020

The Data Point Model 3.0 is coming, are you ready?

EBA DPM 3.0
INSIGHTS AND IMPACTS

Last Autumn the EBA released its public consultation on the revision of the Implementing Technical Standards (ITS) for Regulatory Reporting (EBA-CP-2019-10) and the harmonization of disclosures in the Euro System (EBA-CP-2019-09). The update under consideration is known as the Reporting Framework 3.0 of the so-called Data Point Model (DPM). According to the current planning, the new framework will be required as of the 30th June 2021 reporting period.

For this updated framework, the EBA will require Financial Institutions to address new obligations in performing their risk assessments, via important adjustments on topics such as:

- Own Funds (including backstop for NPEs)
- Credit Risk and Counterparty Risk
- Large exposures
- Leverage Ratio
- Net Stable Funding Ratios

Consistent with our approach of supporting our clients with an end-to-end vision, this paper considers the impacts that Financial Institutions can expect and for which they should prepare. By leveraging concrete experiences with our clients in the management of regulatory reporting at all stages of the reporting process, we have analysed the new requirements and offer our insights into where Financial Institutions can expect the most difficulties and where Financial Institutions should consider taking a second look at how they perform these tasks.

Finally, we describe five conclusions (and one bonus conclusion) to help Financial Institutions make sense of how to confront these changes.

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BACKDROP: HOW DID WE GET HERE?

With the introduction of the Credit Risk Directive IV in 2013, common European rules for banking supervision took shape, comprising the Directive 2013/36/EU and Regulation (EU) N° 575/2013, the latter of which being the Capital Requirements Regulation (CRR). Since it first came into effect, the CRR has been reviewed by regulators for necessary changes, mostly with the aim to increase stability in the European financial system. The latest of these changes regards amendments on several reporting and disclosure requirements, highlighted in Regulation 2019/876 of 20 May 2019.

Parallel to the regulatory requirements detailed in the CRR, the EBA has the responsibility to establish the method by which information is shared between Financial Institutions (FIs) and the Supervising body[1]. For this reason, the EBA introduced the **Implementing Technical Standards** (ITS) on supervisory reporting. Utilized for the entire Euro System under the supervision of the European Central Bank (ECB), the ITS specifies the reporting requirements for FIs with regards to the communication and representation of regulatory reports.

To this end, **the EBA created the DPM to install a harmonized set of reports**. The EBA describes this process as follows[2]:

> *"In order to provide a uniform implementation of the reporting requirements, the data items included in the relevant Technical Standards and Guidelines have been translated into a [Data Point Model] DPM.* ***The DPM is a structured representation of the data,*** *identifying all the business concepts and its relations, as well as validation rules. It contains all the relevant technical specifications necessary for developing an IT reporting solution."*

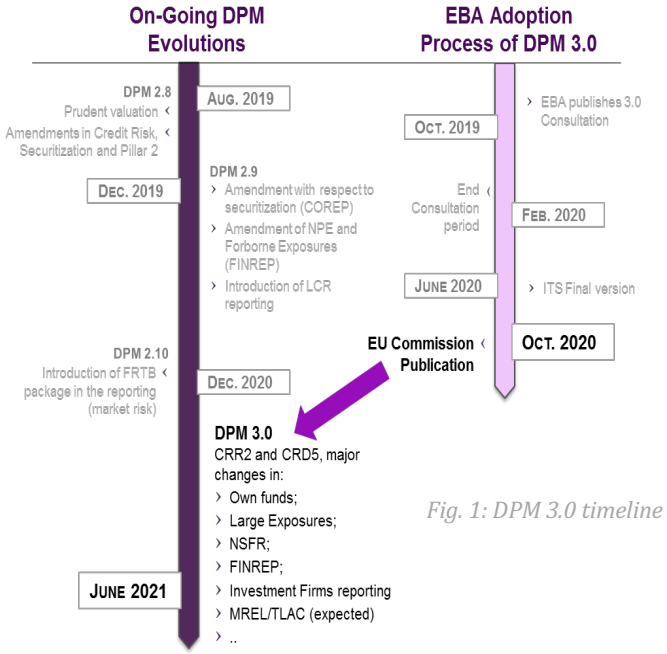

Fig. 1: DPM 3.0 timeline

It is in this context that the DPM is evolving into the 3.0 version, mirroring the regulatory

[1] The EBA is mandated to this task by CCR articles 99(5) and 415(3)
[2] https://eba.europa.eu/regulation-and-policy/supervisory-reporting/implementing-technical-standards-on-supervisory-reporting

changes and mandating FIs to submit reporting packages consistent with the new requirements.

After the current consultation phase, the EBA adoption process is scheduled for completion by June 2020, when the final version of the proposed changes will be published. Once the European Commission ratifies the proposal, the DPM 3.0 will become the new standard.

WHAT'S NEW IN THE DPM 3.0?

In this section, we will have a look at what is new in the DPM by survey/topic of the framework.

1. Non Performing Backstop

The most noteworthy, and perhaps transversal, change in the new reporting framework is the introduction of the Non Performing Backstop. The new requirements reinforce the concept that "NPL guidance" is indeed the first priority for the ECB[3].

By inserting these requirements into the standard harmonized framework, the message is clear that monitoring these positions will be a priority for the foreseeable future. Currently, several National Competent Authorities require FIs under their jurisdiction to submit supplementary NPL reporting. However, with the eventual harmonization of the Definition of Default, it is possible that these ad hoc reports will fade away and be absorbed completely into harmonized reporting under the Single Supervisor.

The CRR2 Regulation, as amended by the "backstop settlement", establishes minimum loss coverage levels for new non-performing exposures and **extends reporting requirements by introducing new templates, both in COREP and in FINREP**. The main objective is to monitor the risk profile of institutions regarding Non Performing Events, capital charges, and the (accounting) loss allowance, the latter being a key component of the backstop calculation. With this in mind, FIs will need to adopt the new methodology as declared in the regulation, and concurrently report the new data in the DPM, requiring the introduction of new end-to-end processes.

[3] https://www.bankingsupervision.europa.eu/banking/priorities/html/ssm.supervisory_priorities2020~b67449d936.en.html#toc2

	COREP	FINREP
General Info Required	• Minimum requirements for coverage • Values of exposures • Coverage available • Applicable amount of insufficient coverage	• New Definition of NPE and Forbearance
New Templates	• **C 35.01** - NPE Loss Coverage: The Calculation Of Deductions For Non-Performing Exposures (NPE Lc1) • **C 35.02** - NPE Loss Coverage: Minimum Coverage Requirements And Exposure Values Of Non-Performing Exposures Excluding Forborne Exposures That Fall Under Article 47c (6) Of The CRR (NPE Lc2) • **C 35.03** – NPE Loss Coverage: Minimum Coverage Requirements And Exposure Values Of Non-Performing Forborne Exposures That Fall Under Article 47c (6) Of The CRR (NPE Lc3)	• **F39.00** - Breakdown of non-performing exposures by time passed since exposures' classification as non-performing (semi annual)
Modified Templates	-	• **F18 and F19** updated to match the new CRR definition of NPE and Forbearance

Fig. 2: NPE Backstop information will be required in both COREP and FINREP

2. FINREP

The changes made to FINREP schemes mainly respond to issues of an accounting nature. There are some additional changes after initial Q&As regarding the adoption, as well as the need for additions within the Pillar III document. In this sense, the updates may not seem to be too impactful as accounting platforms already collect wide raging data for a variety of reasons. Additionally, considering that many FIs are moving towards an accounting centric / risk based approach for reporting, and that the underlying core topics are already managed in the current version of FINREP, these updates may be less complicated to manage.

Update	Template
Introduction of ad hoc rows for Central Bank cash balances and other overnight deposits consistent with F18.00 and F39.00.	• F12.00 • F12.01 • F20.04
Computation in R320 of gains or losses arising from the derecognition of interests in subsidiaries, joint ventures and associates when the latter are outside the scope of IFRS 5.	• F02.00 • F20.03
Added information on credit derivatives received on non-performing loans	• F13.01
Representation of POCI externally to impairment internships	• F04.03.1 • F04.04.1 • F07.01 • F12.01 • F18.00
Additional columns for loss ratios for more than 30 days past due and direct transfers between stage 1 and stage 3	• F18.00 • F12.02
Added the amount of software assets recognized in the financial statements	• F42.00

Fig. 3: FINREP evolutions

FIs will need to consider instead how data is tracked and collected from the source to ensure quality and coherence in information. For example, the updated templates require additional information regarding Overnight Deposits, Derivatives, IFRS9 Impairment Stages and other topics that will be subject to updated Validation Rules and therefore cross-checked between templates for coherence. The amount of direct transfers from IFRS9 Stage 1 to Stage 3 is to be considered reasonably complex as well, meaning FIs will need to track the dynamics at the position level, a concept that some FIs are not prepared for at the moment.

Lastly, a requirement to submit information about Software Assets as recognized in the financial statements could be seen as an upward trend of the Supervisor to increase the level of monitoring on IT risks, which is another ECB top priority for 2020 and onwards.

3. COREP

As we stand today, the COREP package is already the most comprehensive and complex set of reporting that FIs need to manage. The package, which was initially a hodgepodge of several reports performed at the national level for many years has grown to become the most important communication between FIs and the Supervisor for the assessment of risks, solvency, and overall health.

The update regulation, and therefore the DPM, does make some concessions to smaller institutions, which collectively had made their voices heard. In fact, with these updates, the regulator has showed a willingness to follow the principle of proportionality, as set out in the CRR, by revising the criteria and thresholds used, depending on the category of the reporting institution. For large, globally systemic institutions (G-SIBs), there are no such concessions. This

is in part a recognition to the fact that smaller institutions do not have the means to manage the increasing complexities of regulatory reporting, but also a nod to the disproportionate importance of large institutions compared to smaller ones.

3.1 Own Funds

Fortunately, changes to the Own Funds templates are not substantial, and in some cases may positively impact FIs after the implementation has been achieved. Here is a quick summary of the changed, based on the updated regulation:

- Introduction of items accepting additional own funds deductions, such as items relating to the effects of final and transitional provisions on revised eligibility criteria and prudently assessed software assets[4];
- Introduction of additional information on CET1 surplus/deficit;
- Deletion of Basel I floor information and expired transitional provisions

The elimination of the Basel I floor should relieve some FIs in the short term, though we are reminded that the transition to Basel IV will require FIs to maintain a new floor standard, specifically for those which apply the IRB approach for capital requirements.

Under the realm of Own Funds, it is worth mentioning that Investment firms are impacted by these updates, as they will be required to submit the information specified in templates 1 to 5 of Annex I, according to the instructions in point 1 of Part II of Annex II, with a quarterly frequency.

Lastly, FIs should consider, that at some point the reporting requirements may be reviewed to reflect policies still to be developed by the EBA, such as the RTS described for the application of the deductions of prudently valued software assets.

[4] Art. 36 (4) CRR

3.2 Credit risk

Credit Risk represents the core business of the majority of FIs in Europe, and as such, the updated regulation allows more flexibility for lending to SMEs, in part to stimulate the market. In addition, there are new provisions in the regulation to stimulate the financing of infrastructure projects and like investment, on top of refined capital requirements for equity funds investments, to comply with the accounting standards framework. The CRR2 also allows for considerations of a "Green Supporting Factor" to stimulate the transition towards the Green Economy, though this topic in not managed in the DPM 3.0 framework, and will be dealt with in a future version. Below is a summary outline of the changes:

	Update	Template
Standard Approach	Accounting Standard breakdown for approach used for Look-through, Mandate-based e Fall-back approaches Integration with deduction information	• C 07.00 • C 09.01
IRB Approach	Adjustment of RWA columns and an additional requirement for before/after Supporting Factor for PMI and Infrastructure projects	• C 07.00 • C 08.01 • C 08.02 • C 09.02
IRB Approach	Additional templates to enable analysis of counterparty PD backtesting and other information regarding the Obligor's credit worthiness	• C08.03; C08.04 • C08.05; C08.05 • C08.05b;C08.06 • C08.07

Fig. 4: Credit Risk changes to COREP

Complexities arise in the necessary explanation of RWA movements between reporting periods. This requirement will usher in a wave of new tracking needs at the analytical level, which are in turn to be aggregated for reporting purposes in the DPM. Whether it be the Standard or Advanced Approach, FIs will surely need to dedicate the proper effort for this update. This effort, however, should be seen as an opportunity. FIs should consider the adoption of such a tracking capability directly in their calculation engines, thus allowing the competent actors to validate the quarterly RWA figures with additional tools. Therefore, after an initial effort for setup, this in turn may actually improve quality of the data and accelerate the internal validation process.

3.3 Counterparty Credit Risk

The determination of the capital charge for Counterparty Risk has long been too complex for smaller FIs to manage. Under the updated regulation, some of the most substantial changes to the DPM are for counterparty risk. Eleven templates reflecting changes to CCP risk calculation methods have been included in the reporting schemes. In particular, the changes can be summarized as:

- The reorientation of Market-to-Market approach towards a standardized approach known as SA-CCR, even if it is still considered an Internal Model Method (IMM)
- Information by risk categories in the case of Standardized Approaches and by instrument in the case of IMM (C34.02 to C34.05) providing relevant information for the calculation of the CCR exposure value and their link to the risk-weighted exposure amount
- Details of the composition of collateral (C34.08) and the breakdown of exposures to credit derivatives (C 34.09) and exposures to central counterparties (C34.10)
- Information on the first 20 counterparties with an increased exposure to counterparty credit risk (C 34.06)

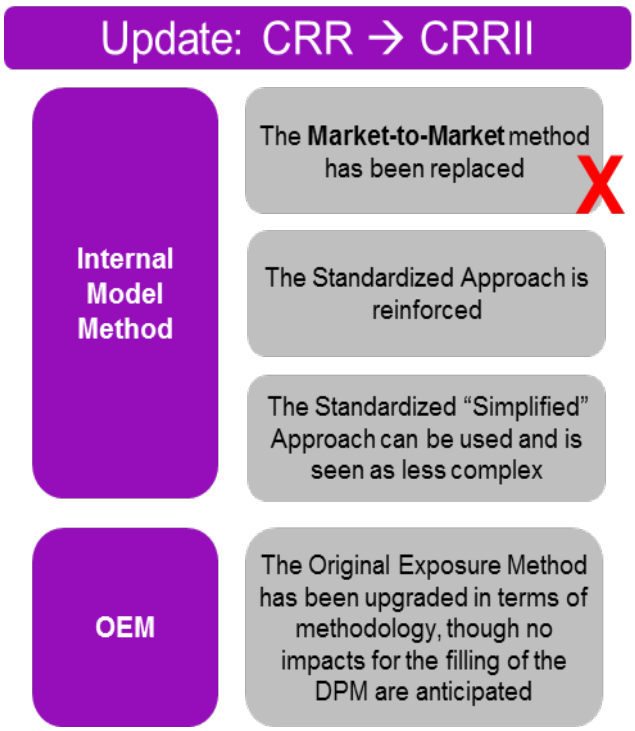

Fig. 5: Counterparty Risk in COREP

3.4 Large Exposure

Large Exposures are a bit of an odd fit for the COREP package. As the only true analytical dataset in the reporting, the survey has always created a series of challenges for FIs. The granularity in the survey can create complications for actors which are responsible for the COREP package, namely because errors or anomalies are not easily fixed with last minute corrections. The survey requires a close alignment with the Risk Appetite Framework (RAF) for the concentration risks of sectors or counterparties, a topic which is typically managed by Risk Management functions (not Financial Reporting functions). These concentrations require the proper analysis that in turn can impact credit strategies. Additionally, the survey requires FIs to collect a series of information from other COREP surveys and report them against Large Exposures, such as the total amount of Own Funds Eligible Capital, which creates an important dependency during the production process.

In this latest integration of the DPM, the reporting gets a bit trickier for several reasons:

- The requirement to use the Legal Entity Identifier (LEI), instead of the "National Identifier", will require specific actions of the FI to ensure that the code is filled and correct. There is a bit of leniency here, as for now the DPM 3.0 requires the LEI code only for exposures with other institutions. However, considering that the LEI is the key of the Anacredit report, and that the Supervisor wishes for complete harmonization where possible, FIs should seize the opportunity to ensure that the LEI is available for all obligors and not just institutions (e.g. Corporates), anticipating future requirements
- Limits for Large Exposures, determined previously as 25% of Eligible Capital (after exemptions), will change in three ways, which will impact, as noted, considerations on concentration risks:
    - The limit will now be determined in function of the Tier 1 Capital
    - The limit will be less flexible, moving from 25% to 15%
    - It is necessary to represent exposures among G-SIIs
- Group of Connect Clients with nominal exposures greater or equal to EUR 300m, even if less than 10% of the institution's Tier 1 capital on a consolidated basis, are now within the perimeter of the survey

One of the most challenging aspects of Large Exposure reporting has been removed: requirements for reporting maturity buckets of an institution's 10 largest exposures on a consolidated basis to an institution and to unregulated financial sector entities, are no more.

Lastly, there are a few issues clarified in the regulation that should render the reporting process more transparent, namely regarding:

- Shadow banking entities and related customer definitions
- The application of the substitution approach

3.5 Leverage Ratio

With the first reporting period of the DPM 3.0 in June 2021, the applicable leverage requirement will become 3%. In addition to this change, substantial changes are added to the definition of "leverage", linked to the Basel III reforms and also to EU specifications, which are to be taken into account in the calculation of the leverage ratio and in the reporting information.

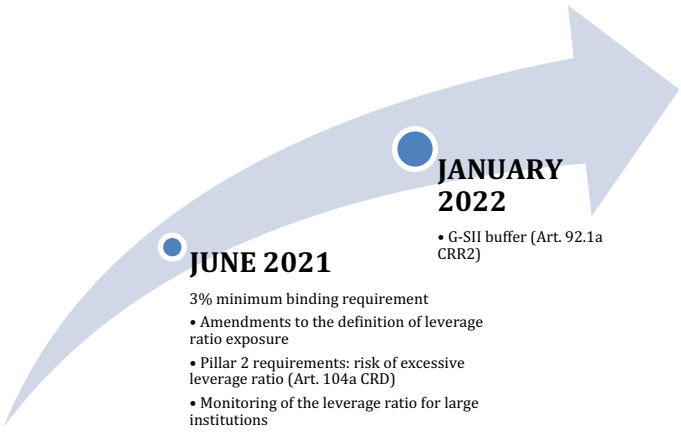

Fig. 6: Transitions to Leverage Ratio under the DPM 3.0

Moreover, the reporting templates have some innovations attributable to the normative framework, for which:

- Additional information to C 47.00 to accommodate the exempted exposures to Central Bank and Various additional exemptions/exclusions, general credit risk adjustments
- Introduction, in C 47,00, of new lines identifying a breakdown for CET1, Tier 1 and Total Capital
- New models C48.01 and c 48.02 to require large institutions to create reports based on averages, for the reference period, for SFTs. To this end, the daily values used by the institutions to calculate these averages are also required

The Leverage Ratio survey has always been one of the final surveys to be produced during the reporting process as it draws information from many sources that must necessarily be finalized. Collectively, the changes to the new framework will require an enhancement of these synergies.

Here is a summary of the changes, according to the template

Templ	Template Name	Summary of Changes
C 47.00	Leverage ratio calculation	Updated to: ▪ Align with international standards ▪ EU specificities: often, exemptions of exposures from LR calculation ▪ Include Pillar 2 requirement and guidance ▪ Include the G-SII buffer requirement
C 40.00	Alternative treatment of the exposure measure	Updated further breakdown of LR ration exposure amount exempted for: ▪ Public sector investments exposures ▪ Promotion loan exposure
C 41.00	On- and Off-Balance Sheet items – Additional breakdown of exposures	Deleted: no further relevant for supervisory monitoring
C 42.00	Alternative definition of capital	Deleted: no further relevant for supervisory monitoring
C 43.00	Alternative breakdown of leverage ratio exposure measure components	**Unchanged**
C 44.00	General information	Updated to require information about public development banks/unit
C 48.00	Leverage ratio volatility	New: mean of STFTs during the reporting period based on daily values and the daily values used to calculate them

Fig. 7: Leverage Ratio changes for the DPM 3.0

3.6 NSFR

From June 2021, compliance with the Net Stable Funding Ratio (NSFR) requirement of 100% will be required. Two different sets of models have been introduced: one model for the standard NSFR and/or for the simplified NSFR, in line with the CRR2, and a common summary model for the standard and simplified versions (C 84.00). Additional changes regard:

- The RSF and ASF templates to capture the necessary elements for calculation and supervisory assessment of the required and available stable funding
- Institutions shall report the fully-fledged NSFR templates

- Institutions that are considered small and non-complex may seek authorization from the competent authority to apply the simplified NSFR and accordingly report simplified templates

Template	Scope	Maturity buckets
C 80.00 – Available Stable Funding (ASF)	Fully-fledged	< 6 months >= 6 months to < 1 year >= 1 year
C 81.00 – Required Stable Funding (RSF)		< 6 months >= 6 months to < 1 year >= 1 year
C 82.00 – Simplified Available Stable Funding (sASF)	Simplified (as required in CRR2)	< 1 year >= 1 year
C 83.00 – Simplified Required Stable Funding (sRSF)		< 1 year >= 1 year
C 83.00 – Simplified Required Stable Funding (sRSF)	All	None

Fig. 8: NSFR changes for the DPM 3.0

4. Other Amendments

Finally, we can assess the other changes to the DPM as "other amendments", as they are of a lesser complexity with respect to the other changes mentioned in this paper

MREL/TLAC

The minimum requirement for own funds and eligible liabilities (MREL) and the total loss absorbency requirement (TLAC) are new to the DPM. This information is derived using information readily available, but the insertion of this data in the DPM is meant to maximize efficiency during the reporting process and as such facilitate the use of the information by the

Amendments	Description
MREL/TLAC	New disclosure / reporting framework; Monitor compliance with 'G-SII requirement of own funds and eligible liabilities' (TLAC – CRR) and Minimum Requirement for Own Funds and Eligible Liabilities (MREL – BRRD); Single ITS for disclosure and reporting
ASSET ENCUMBERANCE	Amendments for alignment with Pillar III
MARKET RISK	Introduction of the FRTB into the prudential framework of the EU; Ensure operational capacity to calculate own funds requirements under the FRTB; Gradual approach; Separate ITS, but integration into EBA DPM, taxonomy, validation rules set
LOSSES ON IMMOVABLE PROPERTY	Change in reporting frequency from half-yearly to annual (Art.430a)

Fig. 9: Other amendments to consider in the DPM

supervisor. Specifically regarding the TLAC, which is required only for G-SIBs, there are a few things to consider when collecting and reporting this information:

- The composition of their own funds and eligible liabilities, their maturity and their main features
- The ranking of eligible liabilities in the creditor hierarchy
- The total amount of each issuance of eligible liabilities instruments that is subordinated and senior
- The total amount of excluded liabilities (referred to in Article 72a (2))

For MREL, Article 45i (3) of the BRRD requires institutions to disclose the amount of own funds and eligible liabilities, the composition including maturity profile and ranking in insolvency, and the applicable MREL requirement of the institution.

Assets Encumbrance

Additional data is required for the Asset Encumbrance survey to align to Pillar III specifications. More specifically, institutions will be required to identify notionally eligible extremely high-quality liquid assets (EHQLA) and high-quality liquid assets (HQLA). Lesser mention goes to the amount of Securitisations Issues, which was previously simply Asset Backed Securities, and to Loans Collateralized with Immovable Property, which was previously Mortgage Loans.

Market Risk

As for Market Risk reporting, the Trading Book and Market Risk Thresholds Template (C 90.00) includes a threshold that captures the size of the trading book and the size of the on- and off-balance sheet business, subject to the market risk of an institution. This requirement is recommended for all institutions.

The Alternative Standardized Approach Summary Template (C 91.00) will bring to light the results of the calculations under this approach. The requirement may evolve over time from a simple summary into a detailed breakdown.

CONCLUSIONS

Overall, the DPM 3.0 represents the most comprehensive update to the reporting framework since its inception in 2014. This, of course, is no coincidence: 2014 represents the year that the Single Supervisor Mechanism went into effect; the year that the EU-wide CRR and CRD became the norm; and the year that the DPM first went into production. Now with the important updates of the CRR2 and CRDV, it should be of no surprise that the DPM is undergoing equally important changes. Financial Institutions should give the same amount of consideration to these evolutions as the regulator and the EBA has.

1. **The principle of proportionality** is a welcomed introduction to the regulation and the DPM framework. The concept will allow smaller entities to reduce some of their efforts on complicated topics such as Counterparty Risk calculation, and therefore reduce the burden of reporting in the DPM. It is worth noting in any case that many small institutions carry little more than Credit Risk on their books, and the proportionality principal will provide no benefit there.

2. **Revamping of organizational processes** is fundamental to ensure an efficient informative exchange and a better quality of the data. Within this scope, FIs should consider clearly defining internal policies and procedures to ensure transparency and clarity within the organization, **especially for the control and validation of the results**. This is particularly important among Regulatory Reporting teams and Risk Management functions as the evolutions to the framework reinforce the idea that risks need to be viewed with expert eyes from all angles. Optimizing organizational processes should also allow FIs to improve on quality and on the time required to deliver the reporting, even in the face of additional requirements.

3. **Data management and architecture choices are essential** to the success of managing the new requirements of the DPM 3.0, as well as any future version. Much of the data required by the new framework is not readily available or easy to integrate into the reporting process. The new DPM will require the proper functional and technical analysis to meet the new requirements and the deadlines. But beyond this, FIs that are already hamstrung by the current framework should consider the bigger picture. The overall framework places an emphasis on the coherence among different surveys and reporting obligations. In addition, over the years, many institutions have received feedback or other remarks from the supervisor that demonstrate the expectation that data is managed in a centralized and simplified manner. Regulatory needs and reporting requirements will continue to expand over time, and FIs would be wise to consider this an opportunity to revise their reporting architecture and data management practices to allow a **fully integrated and centralized solution**.

4. **IT developments** are needed for almost any change in today's digital age. In the case of the regulatory reporting process, FIs that manage the requirements with in-house / custom solutions may find that this approach is becoming increasing expensive and burdensome. Since the advent of the SSM, several IT players have developed reasonably convenient **solutions and tools**, with built in updates and patches which manage the DPM evolutions. Many of these solutions are able to format analytical data into the DPM/XBRL version and apply the **Validation Rules** or other controls to validate the results before being sent. The prevalent concerns in any case are the availability of quality analytical data (see previous point) and the correctness of calculation engines, but after these challenges have been addressed, FIs should perform **a cost/benefit analysis regarding the acquisition of a market solution**. Note that many of these solutions are offered based on the value of the total exposure amount of the institution, and not the actually complexity to introduce and maintain the solution.

5. Along the lines of the previous conclusions, FIs should factor into their impacts the need to perform Stress Testing and respond to additional on-demand requests. Since the ECB first began requiring systemic stress testing in 2011, the importance and complexity of these exercises has only increased. The focus has mostly been on G-SIBs, though nearly all banking groups have participated at least once over the years. Recently, the ECB and the EBA publicly reaffirmed the importance of stress testing, and is currently analysing the "future" for this topic. There is a high degree of probability that this future holds in store the mandatory execution of these exercises for entities that are recognized as Domestically important to the financial system. With this in mind, and considering the overlap of information in the DPM and in the Stress Testing packages, FIs that currently apply an "ad hoc" approach to Stress Testing should consider a process/production approach, facilitated by the proper tools resources.

Finally, as mandated by the CRR2 and CRD5, the EBA is currently analysing the insertion of Climate Risk and other Environmental, Social and Corporate Governance (ESG) KPIs in the reporting process. These topics, specifically regarding data and structured reporting, are particularly complex, and it is no wonder that part of the EBA mandate is to manage the issue of taxonomy. For these reasons, the European Commission and the EBA agreed on a separate timeline, which would deliver much of this work only after 2022 and up until 2025. In the meantime, considering the urgency, it could have been useful to require additional basic data in the DPM 3.0, which could have in turn facilitated a progressive roll-out of Climate Risk / ESG reporting.

As an example, data such as the regional location according to the Eurostat coding system, of immovable property used to guarantee mortgages, or of corporate headquarters of business, could

have been integrated into the “Geographical Breakdown” of the COREP and FINREP surveys (currently the data is given by Country). This data could have permitted both institutions and the supervisor to have a first look into assets and counterparties that are potentially subjected to the physical risks of climate change, such as flooding or drought. Additionally, integrating such data could have allowed analysis into possible correlations with other DPM data, such as NPEs, Forbearance, etc. Are assets in certain geographical locations more at risk to default than assets in other locations?

Likewise, the insertion of additional data to break down the Market Risk survey could have been considered to support the analysis of Transitional Risks. The EBA could have considered requiring institutions to supply information about the nature of financial instruments, for example if they are “Green” (Green Bonds) or “Brown”. This could have enabled the start of a trend analysis of these instruments and how they are affecting risks already the books. Are Sustainable Investments a source of more or less risk? And over time?

These manoeuvres, and others, could have initiated the process of introducing harmonized reporting for this increasingly pressing topic, which seems to grow in importance and visibility by the day. It is probable that any EBA requirement in this area would have been challenged by impacted FIs, but requirements in this area would have nonetheless opened a discussion and set in motion real considerations by FIs as to how they would manage Climate Risks.

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- Industry-wide legislative and regulatory initiatives (e.g. CRD, BRRD);
- Mergers, Acquisitions & Divestments (e.g. business combination, separation and flotation); and
- Business improvement and optimisation agendas (e.g. risk appetite and capital allocation).