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Consultation Paper

Draft Implementing Technical Standards

amending Commission Implementing Regulation (EU) 2021/637 on public disclosures by institutions of the information on operational risk under Article 446 of Regulation (EU) No 575/2013

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1. Responding to this consultation

The EBA invites comments on all proposals put forward in this paper and in particular on the specific questions summarised in 5.3.

Comments are most helpful if they:

- respond to the question stated;
- indicate the specific point to which a comment relates;
- contain a clear rationale;
- provide evidence to support the views expressed/ rationale proposed; and
- describe any alternative regulatory choices the EBA should consider.

Submission of responses

To submit your comments, click on the 'send your comments' button on the consultation page by 30.04.2024. Please note that comments submitted after this deadline or submitted via other means may not be processed.

Publication of responses

The responses collected will be published on the EBA website. Any response or part of a response which is considered confidential by the respondent should be highlighted as such, explaining the reasons for confidentiality. Information marked as confidential will not be disclosed or published without prior discussion with the respondent. Data protection

The protection of individuals with regard to the processing of personal data by the EBA is based on Regulation (EC) N° 45/2001 of the European Parliament and of the Council of 18 December 2000 as implemented by the EBA in its implementing rules adopted by its Management Board. Further information on data protection can be found under the Legal notice section of the EBA website.

2. Executive Summary

The transparency and prudential disclosures in the context of the Pillar 3 disclosure framework play an important role in promoting market discipline in the financial sector by ensuring that users have the necessary information to make informed decisions and by fostering the consistency and comparability of the publicly disclosed information across EU institutions, but also between EU institutions and non-EU internationally active banks through its alignment with Basel standards. Therefore, it's important to keep this framework updated to consider the information needs of users, changes in the Basel disclosure standards and the underlying regulatory changes. Furthermore, when developing the Pillar 3 framework, the EBA aims at ensuring the consistency and integration of the quantitative disclosure requirements with the supervisory reporting requirements in order to facilitate compliance by institutions, and a tool with a mapping between both sets of requirements is provided.

The EBA sets out the Pillar 3 disclosure framework following the mandate received in Article 434a of Regulation (EU) No 575/2013 ('the CRR') to develop draft implementing technical standards (ITS) specifying uniform disclosure formats, and associated instructions, in accordance with which the disclosures required under Titles II and III of Part Eight of the CRR shall be made. Those uniform disclosure formats shall convey sufficiently comprehensive and comparable information for users of that information to assess the risk profiles of institutions and their degree of compliance with the requirements laid down in Parts One to Seven. To facilitate the comparability of information, the ITS shall seek to maintain consistency of disclosure formats with international standards on disclosures.

New regulatory requirements and impact on disclosure

On 27 June 2023, a political agreement[1] was reached between the Council of the European Union [2] and the European Parliament[3] on the proposal put forward by the European Commission on 27 October 2021 on the banking package. The banking package includes amendments to the Capital Requirements Regulation (CRR 3) and to the Capital Requirements Directive (CRD VI). Following the political agreement and the subsequent technical meetings of the trilogue negotiators, the current consultation paper (CP) is based on the text of the agreed banking package as published on the Council's website on 6 December 2023[4].

The banking package will implement the latest Basel III reforms, which will underpin a robust regulatory framework, efficient supervision and enhanced risk control by credit institutions. In

[1] Commission welcomes political agreement on EU banking package.

[2] The Council of the European Union agreed on 15 February 2023 their position: Council agrees its position on the implementation of Basel III reforms.

[3] The European Parliament confirmed their position in the plenary on 15 February 2023: Report on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor.

[4] Provisional agreement reached on the implementation of Basel III reforms.

particular, a new operational risk framework based on a single, non-model-based approach, the so-called Business Indicator Component (BIC) is provided. Following the CRD VI/CRR 3, the EBA will be mandated to work on the layer of the regulatory products that ensures a technical implementation of the prudential framework, including amendments to the disclosure requirements.

Considering the application date of the banking package set out to 1 January 2025, the EBA published the "EBA Roadmap on Strengthening the Prudential Framework"[5]. This roadmap provides the implementation timeline of the EBA mandates under this package, clarifying how the EBA will develop the mandates implementing the legislation and how it is expected to finalise the most significant components prior to the application date.

According to this roadmap, when developing reporting and disclosure requirements, the EBA is following a two-step process prioritising in step 1 those mandates and changes necessary to implement and monitor Basel III requirements in the EU. In step 2, the EBA will implement other reporting and disclosure requirements that are not directly linked to Basel III implementation.

Following this approach, the EBA has already published the Consultation Paper (CP) on draft Implementing Technical Standards (ITS) amending Commission Implementing Regulation (EU) 2021/637[6] on public disclosures by institutions of the information on output floor, credit risk, credit valuation adjustment (CVA) risk and market risk, to consult on the changes to the current Pillar 3 disclosure framework coming from the implementation of the latest Basel III reforms in the CRR 3, leaving out the disclosure requirements for operational risk that are consulted in this Consultation Paper.

Given the strong links between the operational risk disclosure obligations and the policy and reporting mandates for operational risk, the EBA has decided to consult the disclosure requirements for operational risk separately from the other Pillar 3 disclosures topics and simultaneously with the public consultations of the policy products and supervisory reporting requirements on operational risk. However, the EBA aims at bringing together the disclosure requirements that are now being separately consulted in a common draft ITS for final publication and submission to the European Commission (hereinafter, Commission).

Together with this CP, the EBA is also publishing an updated version of mapping tool between the revised disclosure and reporting requirements on operational risk under consultation, to ensure consistency between the two frameworks.

Any remaining impacts arising from CRR 3 and CRD VI on operational risk disclosures to be further considered in the policy work development, specifically with respect to operational risk losses, could be incorporated in a second consultation paper in 2025, if needed.

[5] The EBA publishes roadmap on the implementation of the EU Banking Package | European Banking Authority (europa.eu)

[6] The EBA consults on the amendments to the Pillar 3 disclosure and supervisory reporting frameworks in the context of the implementation of the Basel III reforms in the EU | European Banking Authority (europa.eu)

Next steps

After a consultation period of 3 months, the EBA will incorporate the amending draft ITS on operational risk disclosure obligations into the final draft ITS on Pillar 3 disclosures requirements and submit them to the Commission for the adoption process. This should occur at the beginning of the third quarter of 2024.

The application date of these ITS will be 1 January 2025 and the first disclosure reference date will be 31 March 2025, in line with the date of application of the CRR 3.

3. Background and rationale

1. Regulation (EU) No 575/2013 ('CRR')[7] mandates the EBA, in Article 434a, to develop draft implementing technical standards (ITS) specifying uniform disclosure formats, and associated instructions in accordance with which the disclosures required under Titles II and III of Part Eight of the CRR shall be made. Those uniform disclosure formats shall convey sufficiently comprehensive and comparable information for users of that information to assess the risk profiles of institutions and their degree of compliance with the requirements laid down in Parts One to Seven.

2. Following the mandate received by Article 434a of the CRR[8], the EBA developed comprehensive draft ITS on institutions' public disclosures, applicable to all institutions subject to the disclosure requirements under Part Eight of the CRR, which were adopted by the Commission Implementing Regulation (EU) 2021/637[9] and they are applicable from 30 June 2021.

3. These ITS play an important role in promoting market discipline in the financial sector by providing users with the information that they need to make informed decisions, by increasing the consistency and comparability of the information publicly disclosed by institutions and by aligning the disclosure formats with Basel standards. Therefore, it's important to keep this framework updated to consider the information needs of users, changes in the Basel disclosure standards and the underlying regulatory changes. Furthermore, when developing the Pillar 3 framework, the EBA aims at ensuring the consistency and integration of the quantitative disclosure requirements with the supervisory reporting requirements in order to facilitate compliance by institutions, and a tool with a mapping between both sets of requirements is provided..

4. The objective of this paper is to consult on the draft ITS amending the Commission Implementing Regulation (EU) 2021/637 to implement the disclosure requirements coming from the introduction of the new regulatory framework for operational risk in the CRR 3.

New banking regulatory package and impact on disclosure

5. On 27 June 2023, a political agreement was reached between the European Council and the European Parliament on the amendments to the Directive 2013/36/EU (CRD VI) and Regulation (EU) No 575/2013 (CRR3), to implement the Basel Committee on Banking Supervision (BCBS)'s

[7] Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012.

[8] Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012.

[9] Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council and repealing Commission Implementing Regulation (EU) No 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementing Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295.

December 2017 Basel III post-crisis regulatory reforms[10], while considering the specific aspects of the EU's banking sector. Following the political agreement and the subsequent technical meetings of the trilogue negotiators, the current consultation paper (CP) is based on the text of the agreed banking package as published on the Council's website on 6 December 2023[11].

6. The new banking regulatory package aims, in general, at strengthening the EU institutions' risk-based capital framework; further harmonising supervisory powers and enforcement tools; enhancing institutions' risk control and increasing transparency and proportionality in the Pillar 3 disclosure requirements.

7. Regarding operational risk, the CRR 3 introduces a revised framework according to which all existing approaches for the calculation of the own funds requirements on operational risk are replaced by a single, non-model-based approach, the so-called Business Indicator Component (BIC). The BIC bases the computation of own funds requirements on operational risk on the Business Indicator (BI), a financial statement-based proxy for operational risk, which is consistent with the BCBS standards [OPE 25.1(1)]. The history of institution's annual operational risk losses is, however, not included in the calculation of own funds requirements, following the CRR3 requirements. As such, this information is requested for disclosure purposes but not considered in the calculation of the business indicator itself.

8. On 14 December 2023, the EBA published the "EBA Roadmap on Strengthening the Prudential Framework" (link). This roadmap explains the implementation timeline of the EBA mandates under the banking package clarifying how the EBA will develop the mandates implementing the legislation, and how it expects to finalise the most significant components prior to the application date.

9. According to this roadmap, when developing reporting and disclosure requirements, the EBA will follow a two-step process prioritising in step 1 those mandates and changes necessary to implement and monitor Basel III requirements in the EU. In step 2, the EBA will implement other reporting and disclosure requirements that are not directly linked to Basel III implementation. Following this approach, the EBA has already published a CP on draft Implementing Technical Standards amending Commission Implementing Regulation (EU) 2021/637 which includes the new and amended disclosure obligations on credit risk, output floor, credit valuation adjustment (CVA) risk and market risk provided by the CRR 3 (link).

10. The disclosure requirements for operational risk are consulted separately in this Consultation Paper given the need to ensure consistency between the development of the new operational risk disclosure framework and the other EBA Level 2 products on operational risk, in particular related to: the mandate to specify the components of the Business indicator under Article 314(6), point (a) of the CRR and the elements to be excluded from the Business Indicator under Article 314(6), point (b) of the CRR and the mapping of the Business Indicator components with corresponding supervisory reporting references under Article 314(7) of the CRR. The implementation of

[10] Basel III: Finalising post-crisis reforms (bis.org)

[11] Provisional agreement reached on the implementation of Basel III reforms.

supervisory reporting requirements for operational risk are being developed and consulted in parallel with this consultation paper, ensuring integration between both frameworks: Consultation on Implementing Technical Standards on supervisory reporting concerning operational risk.

11. After the consultation period, the operational risk disclosure requirements that are now being consulted separately will be however included in the finalisation of the draft ITS amending the Commission Implementing Regulation (EU) 2021/637 already published for consultation. Therefore, the final version of the ITS amending the Commission Implementing Regulation (EU) 2021/637 will be published as a single package, and it is expected to be submitted to the Commission by the end of June 2024.

12. Any remaining impacts arising from CRR 3 and CRD VI on operational risk disclosures to be further considered in the policy work development, specifically with respect to operational risk losses, could be incorporated in a second consultation paper in 2025, if needed.

13. Pursuant to Article 434a (1) as amended by the CRR 3, the templates and related instructions included in this consultation paper will not be part of ITS published in the Official Journal, as they shall be published on the EBA website as part of the ITS-related IT tools. This change in the process aims at easier operationalisation of the ITS. The templates and instructions will be available in all languages and shall remain directly applicable in all Member States as part of the ITS once the ITS are adopted by the Commission and published in the Official Journal of the EU.

3.1 Disclosure requirements' amendments on operational risk

3.1.1 General considerations

14. In amending Commission Implementing Regulation (EU) 2021/637 on public disclosures by institutions of the information on operational risk, the general principles of the EU Pillar 3 disclosure framework are followed.

15. More specifically, disclosure formats are kept consistent with BCBS Pillar 3 standards to facilitate the comparability of information with international non-EU-active banks.

16. Fixed templates are developed to implement quantitative disclosure requirements on operational risk losses, the business indicator and related own funds requirements and risk exposure amounts, while a flexible table is developed for the qualitative information on the operational risk management objectives, policies and processes.

17. Furthermore, the integration between disclosure and reporting framework is ensured. To this end, a mapping between the quantitative disclosure templates included in these draft ITS and the reviewed reporting data on operational risk is provided in this consultation paper.

18. Finally, the disclosure requirements are applied by following the proportionality principle implicit in the CRR. The latter sets out the disclosure frequencies and the application of the disclosure

requirements to different institutions, depending on their size, complexity and on whether they are listed or non-listed institutions.

3.1.2 Operational risk

19. In response to the introduction of the new framework for calculating own funds requirements for operational risk in the CRR 3, the disclosure table and templates on operational risk are significantly reviewed.

20. The CRR 3 replaces all the methods currently allowed with one single approach, the so-called Business Indicator Component (BIC), the calculation of which is based on the Business indicator (BI). The latter is a financial statement-based proxy for operational risk. Consistently with this new prudential framework, the table EU ORA on qualitative information on operational risk is amended; the current template EU OR1 on operational risk own funds requirements and risk exposure amounts is deleted and the following new templates are introduced: EU OR 1 on operational risk losses; EU OR 2 on Business indicator, components and subcomponents and EU OR 3 on operational risk own funds requirements and risk exposure amounts.

21. In particular, table EU ORA is amended to include the qualitative disclosure information of Article 446(1) of the CRR 3 on the main characteristics and elements of a bank's operational risk management framework.

22. In application of Article 446(2), points a) and b) of the CRR 3, the new template EU OR1 provides information on the number and the amounts of operational risk losses incurred over the past 10 years, based on the accounting date of the incurred losses and considering any recoveries and exclusions.

23. The new template EU OR2 provides information on the calculation of the Business Indicator, components and subcomponents for the last three financial years, in accordance with Article 446(1), points c), d) and e) of the CRR 3, and information on the value of the Business Indicator Component.

24. Finally, in the new template EU OR 3, institutions shall disclose the information on the minimum own funds requirements (OROF) for operational risk, in application of Articles 446(1), points b) and c) of the CRR 3.

4. Draft implementing technical standards

COMMISSION IMPLEMENTING REGULATION (EU) …/...

of XXX

amending Commission Implementing Regulation (EU) 2021/637 laying down implementing technical standards with regard to public disclosures by institutions of information concerning requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor as referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council and repealing Commission Implementing Regulation (EU) No 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementing Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

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

Having regard to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012[1] and in particular of Article 434a, fifth subparagraph thereof,

Whereas:

(1) Regulation (EU) No 575/2013 as amended by Regulation (EU) XXXX/XXX of the European Parliament and of the Council[2] (‘Regulation (EU) xxxx/xxx’) implements the final set of international standards of the Basel Committee on Banking Supervision (BCBS), so-called Basel III standards. These developments call for a revision of the disclosure requirements of the items set out in the Commission Implementing Regulation (EU) No 2021/637[3] to reflect the new requirements.

(2) Regulation (EU) 20XX/XX introduced in Regulation (EU) No 575/2013 a new single non-model-based approach for the calculation of the own funds requirements for operational risk, in order to address the lack of risk-sensitivity and of comparability of the existing approaches. Following a discretion included in the Basel III standards, the EU’s minimum own funds requirements are solely based on the calculation of the Business Indicator Component (BIC), whilst the loss history is considered for disclosure purposes only. To reflect these developments, the table EU ORA sets out in

[1] OJ L 176, 27.6.2013, p. 1. ELI: http://data.europa.eu/eli/reg/2013/575/oj.

[2] Regulation (EU) XXXX/XXX of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor.

[3] Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council and repealing Commission Implementing Regulation (EU) No 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementing Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295

Implementing Regulation (EU) No 2021/637 should be amended and new templates EU OR1, EU OR2, EU OR 3 should be introduced to provide information on annual operational losses incurred over the past 10 years, the calculation of business indicator, components and sub-components and the related own funds requirements and risk exposure amounts.

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

(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 requested the opinion of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010[4].

(5) Implementing Regulation (EU) No 2021/637 should therefore be amended accordingly.

HAS ADOPTED THIS REGULATION:

Article 1

Implementing Regulation (EU) 2021/637 is amended as follows:

(1) Article 16 is replaced by the following:

‘Institutions shall disclose the information referred to in Article 435, Article 438, point (d), and Articles 446 of Regulation (EU) No 575/2013 by using table EU ORA and templates EU OR1, EU OR2, EU OR3 of Annex XXXI to this Regulation and by following the instructions set out in Annex XXXII to this Regulation.

(2) Annex XXXI is replaced by the text set out in Annex I to this Regulation.

(3) Annex XXXII is replaced by the text set out in Annex II 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.

It shall apply from 1 January 2025.

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

Done at Brussels,

For the

[4] 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, 15.12.2020, p. 12).

Commission
The President

On behalf of the

President [Position]

LIST OF ANNEXES

Annex I (contains the amended Annex XXXI to Commission Implementing Regulation (EU) 2021/637)

Annex II (contains the amended Annex XXXII to Commission Implementing Regulation (EU) 2021/637)

5. Accompanying documents

5.1 "Mapping tool" – Mapping of disclosure quantitative data with supervisory reporting

The "mapping tool" is a comprehensive set of excel files that provides the mapping of the quantitative disclosure templates with the relevant reporting data points.

The "mapping tool" is not part of the draft ITS but it is provided as an accompanying document to support institutions when populating the quantitative disclosure template[12].

More specifically, a revised mapping is provided for the quantitative disclosure templates affected by the changes of this draft ITS. A question is included in the section 5.3.2, in order to encourage respondents to review the mapping provided.

5.2 Draft cost-benefit analysis / impact assessment

As per Article 15 of Regulation (EU) No 1093/2010 (EBA Regulation), any draft implementing technical standards (ITS) developed by the EBA shall be accompanied by an Impact Assessment (IA), which analyses 'the potential related costs and benefits'.

This analysis presents the IA of the main policy options included in this Consultation Paper on the draft Implementing Technical Standards amending Commission Implementing Regulation (EU) 2021/637 on public disclosures by institutions of the information on operational risk in accordance with Article 446 of Regulation (EU) No 575/2013 ("the Draft ITS"). The analysis provides an overview of the identified problem, the proposed options to address this problem as well as the potential impact of these options. The IA is high level and qualitative in nature.

A. Problem identification and background

Article 434a of the Regulation (EU) No 575/2013 ('the CRR') mandates the EBA to *'develop draft implementing technical standards specifying uniform disclosure formats, and associated instructions in accordance with which the disclosures required under Titles II and III shall be made. Those uniform disclosure formats shall convey sufficiently comprehensive and comparable information for users of that information to assess the risk profiles of institutions and their degree of compliance with the requirements laid down in Parts One to Seven. To facilitate the comparability of information, the implementing technical standards shall seek to maintain consistency of*

[12] With the introduction of the new requirements under CRR 3, the EBA shall prepare, keep up-to-date and publish on its website a mapping tool of the templates and tables for disclosures with those on supervisory reporting (Article 434 (1)). In other words, this means that the mapping tool will not be provided anymore as an EBA's on own initiative as it will be a requirement under level 1 text.

disclosure formats with international standards on disclosures.'. Under this mandate the EBA developed the comprehensive ITS on institutions' public disclosures[13] to specify the disclosure templates and their instructions. These ITS, adopted by the Commission, are now published by the Commission under the Commission Implementing Regulation (EU) 2021/637.. Over time, following the same mandate, the EBA should adjust these templates and instructions to keep them relevant for users of information, to adapt them to the changes of the underlying regulations and aligned with BCBS standards.

Recently the banking regulations have been amended in the context of the Capital Requirements Directive (CRD IV) and Capital Requirements Regulation (CRR 3) package. The CRR 3 will implement Basel III reforms, which will underpin a robust regulatory framework, efficient supervision and enhanced risk control by credit institutions. The CRR 3 introduces important changes related to the operational risk framework that have an impact on disclosure elements that will thus make the current disclosure templates and instructions out of date.
Consequently, Commission Implementing Regulation (EU) 2021/637 needs to be amended to adapt operational risk disclosure templates and instructions to CRR 3 related requirements.

B. Policy objectives

The draft Implementing Technical Standards amending Commission Implementing Regulation (EU) 2021/637 on public disclosures by institutions of the information on operational risk in accordance with Article 446 of Regulation (EU) No 575/2013 aims at adapting the current disclosure templates and instructions to the CRR 3-related new requirements.

C. Options considered, assessment of the options and preferred options

Section C. presents the main policy options discussed and the decisions made by the EBA during the development of the Draft ITS. Advantages and disadvantages, as well as potential costs and benefits from the qualitative perspective of the policy options and the preferred options resulting from this analysis, are provided.

Business Indicator and subcomponents

One new template (EU OR2 -Business indicator, components and subcomponents) has been included to disclose the business indicator (BI) and its components & subcomponents, which give details on the business indicator component (BIC) and on the "Operational Risk Own Funds Requirements" calculation. This template is very much aligned with the structure of the corresponding Basel template OR2. However, the EBA evaluated the need of adding a column in the EU OR2 (versus the Basel template OR2) for disclosing the average value of the last three-year end data for each subcomponents.

[13] Commission Implementing Regulation (EU) 2021/637 on public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013.

Option 1a: Request to provide information about average values of subcomponents in a column "d - Average value" in template EU OR2.

Option 1b: do not request to provide information about average values of subcomponents and follow the structure considered in the Basel template.

Requesting the average values of subcomponents in a separate column would give stakeholders the possibility to have a comprehensive picture of the values used for the computation of the business indicator and facilitate the reading and interpretation of template EU OR2. Being this approach followed, the average value for the last three years of each subcomponent would be disclosed in column d, which is not the case under the Basel template, where the average amounts of the subcomponents are not disclosed. . Also the computed values for the three components (interest, lease and dividend component; services component; and financial component) considered in the calculation of the business indicator would be disclosed in this column d, instead of being reported in the column of the reporting year "T" as under the Basel template. This would ensure more transparency and a better understanding of the input values considered. The costs associated with the addition of this column would not be significant for institutions as the data should anyway be computed and thus these costs would be exceeded by the aforementioned benefits.

Based on the above, **the Option 1a has been chosen as the preferred option** and the disclosure template EU OR2 will request the average values of each subcomponent and of each one of the three components to be disclosed in the column **"d - Average value"**.

Financial component of Business Indicator

Similarly to the Basel Framework, the financial component that integrates the calculation of the Business Indicator is composed by (i) the net profit or loss applicable to trading book and (ii) the net profit or loss applicable to banking book. To determine which items compose the trading and the banking book, two approaches are allowed: (1) the prudential one, following the prudential classification of the different items as banking or trading book (the so-called "Prudential Boundary Approach"); (2) the accounting one, based on the accounting categories of financial instruments that would represent a "proxy" of the trading and banking book on the basis of the accounting values (reported under the supervisory reporting framework already in place). Under the operational risk reporting framework, the amounts under both approaches are required to be reported. In this regard, the EBA considered two options for the Disclosure templates.

Option 2a: require the amounts of net profit or loss to be disclosed under both approaches that can be used to determine the value of the financial component (prudential and accounting approaches).

Option 2b: Require the templates' data to be limited to the disclosure of the value of the financial component that was effectively considered in the calculation of the Business Indicator.

For disclosure purposes, the information that is relevant is the value of the financial component considered in the calculation of the Business Indicator and the approach considered when determining this value. The disclosure of the approach followed by the institutions would be required under both options. While under the reporting framework, having information on the application of the two approaches might be more relevant having in mind the supervisory monitoring activities, this is not the case in disclosures. As such, the costs that would arise from the provision in the disclosure templates of the two approaches' values would exceed the benefits.

Based on the above, **the Option 2b has been chosen as the preferred option** and the templates' data requested will be limited to the disclosure of the value of the financial component that was effectively considered in the calculation of the Business Indicator and of the disclosure of the type of approach applied.

D. Conclusion

The draft Implementing Technical Standards amending Commission Implementing Regulation (EU) 2021/637 on public disclosures by institutions of the information on operational risk in accordance with Article 446 of Regulation (EU) No 575/2013 will adapt the current disclosure templates and instructions to the CRR 3 related new requirements. For the institutions, the implementation of these Draft ITS is expected to trigger costs, given that different and additional information will be requested compared to the existing disclosure framework for operational risk. However, the majority of these requirements are linked to the CRR3 changes and thus the costs are not all to be associated with the Draft ITS but with the underlying related changes brought by the CRR 3. Moreover, these requirements are necessary to allow stakeholders to assess institutions' risk profiles and compliance with CRR3 requirements and this benefit exceeds the costs for institutions. Overall, the impact assessment on the Draft ITS suggests that the expected benefits are higher than the incurred expected costs.

5.3 Overview of questions for consultation

5.3.1 Disclosure of operational risk

Question 1: Are the amended/new templates EU ORA, EU OR1, EU OR2 and EU OR3 and the related instructions clear to the respondents? If no, please motivate your response.

Question 2: Do the respondents identify any discrepancies between these templates and related instructions and the calculation of the requirements set out in the underlying regulation?

Question 3: Do the respondents agree that the amended draft ITS fits the purpose of the underlying regulation?

5.3.2 Other questions

Question 4: Do the respondents consider that the “mapping tool” appropriately reflects the mapping of the quantitative disclosure templates with supervisory reporting templates?