Finance for Europe

Association for Financial Markets in Europe

AFME Position Paper

CRD 5/CRR2: Pillar 3 disclosures

February 2017

Executive Summary

While AFME strongly back the goals of Pillar 3, and banks are working hard to improve their overall disclosures to make themselves better understood in the challenging post-crisis environment, the present proposed amendments to the Capital Requirements Regulation (CRR) raise a number of serious concerns, which are developed in more detail in the main part of these comments. A Pillar 3 framework that is relevant and meaningful to users is important to establish market discipline and reinforce financial stability.

Without diminishing the importance of the detailed comments, the following points seem especially worth noting:

1. **The hypothetical disclosures need to be reconsidered**. There is serious concern they will be misunderstood and lead to misperceptions that would be damaging to banks but also the credibility of the regulatory framework. Hypothetical disclosures will not capture true risks, yet are likely to induce users to believe that simple comparisons are possible, when in fact they are not. Hypotheticals (and the necessary additional explanations) would contribute to the volume of disclosures overall. Large amounts of narrative explanation would undermine the ostensible goal of comparability. Finally**, the CRR 2 package should be aligned to BCBS proposals and AFME members are concerned that proposals that have not been formally agreed in Basel, but are already included in the proposals, could undermine the international level playing field. This is a wider concern, including points** 3, 4, 8 and 9.
2. The requirement of the description of the key modelling and parametric assumptions used in the institutions' internal measurement systems that would differ from the common modelling and parametric disclosure requirements relating **to interest rate risk on the banking book** give rise to a **similar concern**; these disclosures will potentially lead to inappropriate comparisons between banks using internal models and those using the standardised approach. Conclusions drawn on this basis may create negative misperceptions with adverse consequences for the disclosing institutions.
3. **The market risk proposals** raise a number of concerns about **desk-level disclosures** that seem unduly complex and may compromise proprietary and confidential information; the proposed disclosures also reflect the serious issues about the P&L attribution test that need clarification at the least. We also believe the confidentiality of the regulatory multiplier should be safeguarded, disclosure of which is also of limited usefulness from the perspective of providing the market with a comparable measure given its calibration is predicated on supervisory judgement.
4. **Operational risk** has been especially difficult to analyse, given the substantive discussions to date. In particular, the current look-back requirements are likely to be more misleading than helpful, given that they take no account of changes of business mix, termination or disposal of businesses, changes in controls, or other factors that may make historical losses less than relevant.
5. The **requirement to disclose significant investments in insurance undertakings** not deducted from own funds deprive both Art 49(1) of the CRR and the exemption decision of any useful effect. Asymmetry of information between market participants and competent authorities

will result in overly simplistic assumptions used by participants to adjust capital ratios, with potential adverse consequences for disclosing institutions.

6. **Banks should not be subject by regulators to any disclosure of their Pillar 2 guidance (P2G).** We are supportive of the disclosure of the Pillar 2 requirement of the capital framework, but not of its constitutive components for each risk element. There should be an explicit legal obligation to limit disclosure to an institution's total Pillar 2 requirement and it should be clearly stated that P2G shall not be disclosed. This view is supported, in particular, by the fact that the P2G is not taken into account in the Maximum Distribution Amount (MDA) computation and consequently is not relevant information for holders of Additional Tier 1 (AT1) or Total Loss Absorbing Capacity (TLAC) instruments. Consequently, in order to avoid inconsistent interpretations, the Directive should state that the level of P2G is not considered Material Nonpublic Information.
7. **Disclosure of own funds and eligible liabilities requirements**: For consistency sake, we recommend that CRR 2 should be aligned with the Supervisory reporting and public disclosure requirements as described in Article 45i of the Bank Recovery and Resolution Directive (BRRD). In addition, we are quite concerned that public disclosure is required for each individual issuance of an eligible liability; instead we recommend, where appropriate, a public disclosure based on an aggregated basis.
8. **Clarification is needed** about the articulation between **the final EBA guidelines on Phase I** (implementation date 31 December 2017) versus the CRR2 proposal (where EBA shall submit to the EC an ITS by 30 June 2019 for adoption by [Sept-Dec 2019]). Clarification is also needed with **current non finalised Basel proposals on Phase II** (consultation ended on June 2016).
9. **Requirements in CRR2 not required by BCBS**: CRR review proposal goes beyond BCBS final standards on Phase I and BCBS proposals raised in its consultation paper on Phase II. We believe that pre-empting Basel agreement is not supportive of an international level playing field and should be reassessed. The disclosure asks are substantial, whilst the additional benefit from these disclosures relative to the associated cost remains unconfirmed.
10. **Other points:** We have detailed a number of additional non-key items in the Annex.

Detailed Comments on key priorities

Article 438(i): Hypothetical RWA as benchmarks to internally modelled RWA

It is understood that it is not the intent for disclosure of the Standardized Approach to replace the IRB approach de facto, rather just to make variability more apparent to users. However, there is clearly a danger that it will be misunderstood or abused, with the result that the IRB would be undermined, and the "hypothetical" Standardized version would become the de-facto standard or floor for capital, at least from a market perspective.

The comparison seems likely to create unnecessary investor, analyst and rating-agency uncertainty about future capitalization, and might lead some critics of the industry and of the Basel regulatory process to conclude that banks face a substantial capital shortfall or that the system "isn't working", when in fact the opposite is the case – the industry is much better capitalized, more robust and resilient, than in the past, and benefits from risk-management practices that have been improving constantly. In the Eurozone in particular, the resulting unwarranted speculation could result in substantial market disruption and even contribute to economic dislocation. The comparison would thus contribute to market uncertainty about the utility and finality of regulatory requirements and not increase the kind of true transparency that contributes to stability.

Assuming a standardized floor is put in place, the need for hypothetical disclosure would become even more questionable because the floor would be the operative constraint. Therefore, it would be difficult to see the point of disclosing different results from the IRB models that continue to run (other, perhaps, than to call the validity of the floor into question).

Although the Basel Committee indicated in its recent IRB consultation that one of the options is to calibrate a capital floor in the range of 60-90% of Standardized RWA, it is evident that the hypothetical RWA, if maintained in the final requirements, would likely establish a de-facto floor of 100%, at least for credit risk, regardless of how the Committee ultimately defines the floors (contravening the reasons why a floor if adopted should be set at less than 100%).

Fundamentally, the industry considers that the idea of using the standardized approach for benchmarking should be reconsidered, not only because the hypotheticals would not truly reflect a bank's position (and therefore, the comparisons would be specious to a large degree) and because the hypothetical comparison can so readily be misunderstood or misused as the "true" point of reference, but because it is not the most appropriate or direct form of disclosure of significant variances, and will create disincentives to further development of sophisticated risk management techniques.

The hypotheticals (and the necessary additional explanations) would furthermore contribute to the volume of disclosures overall, increasing the burdens on both banks as issuers and on users. Large amounts of narrative explanation would undermine the ostensible goal of comparability, and would put banks – and regulators – in the awkward position of having to discuss why the detailed hypothetical tables that regulators have mandated are inappropriate or misleading. This would ultimately be damaging for the regulatory framework as well, given that the IRB models to which banks would still be managing would have had supervisory approval. The hypotheticals without the necessary accompanying discussion and context would be misleading, and potentially even destabilizing, whether at the microprudential or the macroprudential level.

If, contrary to the industry's strong preference, the current hypotheticals are not deleted from the final version of Pillar 3, we are convinced that the Committee will need to provide clear and forceful guidance to the market that benchmarking against the standardized approach should *not* be taken to mean that the approach is necessarily the “correct” measure, given that it is a much rougher and less-risk sensitive measure.

Disclosure requirements should not lead to an additional operational burden for banks unrelated to their binding regulatory requirements, or to the way they manage and conduct their business. The proposed disclosures have the potential to do this.

<u>Article 438(i): Hypothetical RWA calculated according to the standardized approach for market risk</u>

As discussed above, there is a danger that risk management standards may be perceived by the investor community as “higher quality” when internal model and standard approach metrics converge. This assumption is likely to be misleading: for example, a bank that has heavily invested in reducing its non-modellable risk factor (NMRF) charge by improving the quality of data feeds, and therefore obtains a lower internal model capital charge, might experience an adverse perception by investors when in fact it actually provides superior risk management. More granular disclosure does not necessarily contribute to determining the quality of risk management.

Additionally, increasing divergence between risk measures computed only for regulatory disclosure purposes versus measures that are used internally for strategic decision-making carries significant risk owing to the adverse incentives or lack of clarity in internal discussions that may be created. Furthermore, such divergence would not serve the purpose of improving users’ understanding of each bank’s risk management.

Finally, disclosure requirements in isolation should not lead to additional operational burdens for banks. The proposed disclosures have the potential to increase the operational burden by creating additional processes and controls that will exist only for disclosure purposes and are not tied with the main capital requirement for market risk that the banks need to abide with.

<u>Article 448(1)(e)(ii): Interest Rate Risk in the Banking Book</u>

The disclosure of the comparison with the common modelling and parametric disclosure requirements relating to interest rate risk in the banking book give rise to similar concerns. We believe this to be inappropriate and reiterate that this will potentially lead to inappropriate comparisons between banks using internal models and those using the standardised approach. Conclusions drawn on this basis may create negative misperceptions with adverse consequences for the disclosing institutions.

As such, we believe these disclosures should not be required.

<u>Article 455: Market risk IMA per desk</u>

The industry is concerned that the granularity of the requested information has a high potential of revealing sensitive information and possibly even desk-level strategies to competitors, while the information provided could not function as a basis of comparison between banks.

Given that diversification benefits of the overall portfolio are not reflected, sensitive information for a particular trading desk could become public. Furthermore, any disclosure that does not reflect the overall netting benefits of the portfolio can be misleading for the investor community.

Disclosing backtesting and P&L Attribution exceptions could reveal which desks have model approval and which are close to losing model approval. This information is subject to being exploited by other market participants.

Given the current, hair-trigger formulation of the P&L Attribution test in the final rules, a large number of false breaches could occur and therefore mislead investors. Additionally, and given that there are often organizational changes that affect trading desk structure, comparison between reporting dates might also become difficult.

A better approach would be to disclose the IMA charges by asset class (IR, FX, equity, commodities and credit) providing the following advantages:

- It would be in line with the FRTB required computation and therefore leverage the FRTB infrastructure that the banks will develop for the calculation of capital requirements for market risk.
- It would be more comparable across banks, providing contribution of each risk class to the total capital. It would help also help comparability in time as the categories are stable.

The proposed CRR amendment, Article 455 (3)(b)(ii), requires the disclosure of the applicable multiplier alongside the disclosure of subtotals for each of the 12 weeks' risk measures stipulated in the article. The setting of the multiplication factor involves supervisory judgment, the degree of which varies significantly across jurisdictions. Supervisory authorities adopt different practices in making decisions which lead to the setting of the regulatory multiplier and therefore the results are not directly comparable across banks. In many jurisdictions, the multiplier is of a confidential nature and should not be disclosed. The fact that it is not comparable confirms that there would be little value in making such disclosure.

The industry acknowledges that there may be differences across jurisdictions regarding the confidentiality or other disclosure requirements of the multiplier, but the design of Pillar 3 should protect the confidentiality of this measure in all cases. We recommend disclosure templates are designed in a manner that would safeguard the confidentiality of the regulatory multiplier.

Article 446: Disclosure of operational risk management - Historical losses

The industry's comments on the operational risk proposal raise significant issues of non-comparability and volatility in the proposal, which would flow through to affect the quality of related disclosures. A basic, and important comment is that operational risk disclosures should be subject to a reasonable *materiality* threshold which should be much more substantial than the EUR 1 million stated. The threshold should be related to the size of the institution, as the current approach could call for tiny and essentially irrelevant disclosures for most large institutions. The industry's substantive comments on the current operational risk consultation similarly call for normalization of the operational risk calculation in relation to bank size.

In preference to the current proposal, it would be more informative of a bank's actual risk management and operational risk to break down losses by categories, and subject to the low EUR 1 million materiality threshold to show a percentage breakdown of risk categories, rather than giving absolute amounts. Many members believe percentages and trends, rather than absolute amounts, would be more useful and less likely to raise problems of confidentiality.

A further basic question, which also reflects the industry comments on the substantive operational risk proposals, is whether the ten-year look-back or three-year look-back requirements are meaningful as proposed. Going back ten years, especially, may pick up losses from businesses that have been sold or discontinued, or have become much less material to the bank overall, or which are highly unlikely to recur because of subsequent remedial action. Appropriate adjustments should be permitted, to avoid misleading and inaccurate disclosures. The disclosures should follow the final version of the substantive requirements for regulatory capital purposes insofar as possible, but even if the change being requested is not picked up for regulatory capital purposes, consideration should be given to allowing adjustments in the Pillar 3 disclosures, to avoid the need to provide misleading information or lengthy explanations.

Given that different banks are at different levels as to the quality and quantity of their loss information, the extent to which the data is meaningful and comparable remains in question. The bald information required could lead to wrong conclusions and therefore establish an unlevel playing field, especially while banks would implement the proposals for regulatory capital purposes, and especially if there is not an appropriate materiality threshold.

A partial solution to this problem, in addition to adding a materiality threshold and appropriate adjustments of the look-backs and indicators, might be to provide a further phase-in period, which would require banks to describe their progress on developing the SMA (or whatever the final version of the operational risk rules requires should it include a loss component) for a period before beginning more specific quantitative disclosures.

As was recognised in the BCBS consultation on non-performing exposures and forbearance, it is questionable how comparable the disclosures would be when definitions of default and other specifics vary across jurisdictions. There may also be a variety of other differences in the way banks collect and calculate losses; for example, there may be differences in how operational losses are defined between institutions; as an example, some banks would deduct severance payments from an employee lawsuit claim while others would not. At the very least, appropriate caveats will be required.

Members have expressed concern that the draft proposals might require the disclosure of confidential information, especially about pending litigation. Information about pending business or legal reserves may be defined internally in a very conservative manner for capital management purposes. If, as has happened frequently, the actual outcome of a legal proceeding is favourable to the bank or substantially less than the worst-case amount reserved (say 20%), then disclosure based on reserves taken while the case is pending may easily be misconstrued. Although the requirement does not specifically call for case-by-case information, analysts could easily track actual losses during a year and see the difference between such losses and actual disclosures as reflecting actual potential losses, rather than very conservative worst-case estimates of outcomes that are still highly contingent.

It will, therefore, be better to show as mentioned above percentages and trends of losses by Basel risk categories to highlight where banks' are seeing the largest losses, rather than the potentially misleading information arising from quantitative disclosures.

Although banks can always provide additional disclosure as needed under general principles, it is likely that, especially if the proposals are finalised unmodified, a good deal of explanation of any distortions resulting from the bald historical loss disclosures would be required. Therefore, explicit provision for high-level narrative that would allow a bank to provide explanations it deems necessary should be made.

Business Indicator

As mentioned above, a further phase-in period would be required as Banks will be implementing the SMA proposal (or whatever the final version of the operational risk rules) before they can disclose information about the Business Indicator.

Article 438(e) and (f): Insurance Participation

We believe the disclosure requirements proposed in relation to the option in Article 49 CRR for non-deduction of insurance participations from own funds would deprive Article 49(1) of the CRR and the associated exemption decisions made by competent authorities of any useful effectiveness.

Permissions granted are subject to applicant firms meeting set criteria, including that the level of integrated management, risk management and internal control of the entities that would be included in the scope of consolidation is adequate. Competent authorities have assessed that these factors are sufficiently robust to allow the deduction not to be made. Market participants will not have the same level of information to make this assessment and in the absence of such information are likely to adjust capital ratios based on overly simplistic assumptions; Consequently, adjust capital ratios may portray a view of the institution that misrepresents its profile relative to the rest of the market and result in market participants making inappropriate investment decisions with adverse consequences for the disclosing institution.

It should also be noted that the disclosure requirement goes beyond the disclosure requirements set out in the Basel Committee's revised Pillar 3 framework, which does not require the disclosure of the amount of non-deducted holdings of own funds in insurance companies.

A separate disclosure of non-deducted insurance participations should therefore not be required.

Article 438(b): The composition of the additional common equity Tier 1 own funds requirements based on the supervisory review process as referred to in point (a) of Article 104(1) of Directive 2013/36/EU

We are supportive of the disclosure of the Pillar 2 requirement of the capital framework where an institution issues capital instruments to investors that are external to its corporate group, **but not of its constitutive components for each risk element.**

We note however that some local authorities (e.g. market authorities) may require the disclosure of Pillar 2 guidance (P2G) which is likely to create disclosure pressure across the market leading to the same result of unsettled markets as witnessed recently. To avoid such market uncertainty reoccurring, there should be an explicit legal obligation to limit disclosure to an institution's total Pillar 2 requirement; Banks should not be subject by regulators to any disclosure of their P2G and it should be clearly stated that P2G shall not be disclosed.

The MDA mechanism does not take into account the level of the P2G. Hence, knowing the level of the P2G does not provide additional information with regards to the risk of not receiving dividends and, more importantly (because of their non-cumulative feature), AT1 coupons.

The knowledge of the P2G does not seem, in itself, to bring relevant information for the valuation of securities (because it is specific to the issuer, based on assumptions, etc.).

Investors may be tempted to use P2G as a benchmark tool which may lead to level playing field issues, but P2G cannot be compared unless the size, risk profile and business concentration and diversification of the Bank are taken into account. Consequently, in order to avoid inconsistent interpretations, the CRR should state that the level of P2G is not considered Material Nonpublic Information.

One can add that CRR has been redrafted on Pillar 2 largely to solve the MDA issue which has led to a closure of AT1 European market in February 2016. We consider that P2G disclosure will remove the flexibility given to the supervisor. It will recreate anticipation moves in markets, trigger herd behaviour and enhance systemic risk.

Article 437a: Disclosure of own funds and eligible liabilities requirements

For consistency sake, we recommend that CRR 2 wording and requirements are aligned with the Supervisory reporting and public disclosure requirements as described in Article 45i of the BRRD. In order to prevent any inconstancy among European texts, one way would be to cross reference Article 45i of the BRRD to the CRR disclosure requirements for eligible liabilities. In addition the application of disclosure templates through ITS as required in Article 45i should also be consistent with those required under the CRR. Moreover, these ITS should take into account any BCBS finalised requirements. At this stage, CRR 2 should not take into account, in anticipation, non-finalised BCBS proposals on the phase II (public consultation ended on June 10th), unless there is already agreement in the BCBS. If EC was to maintain its position to pre-empt non-finalised BCBS, we recommend taking into account our comments on the volume and frequency of disclosure below.

The reporting volume will be a concern to users as well as issuers. The volume of disclosure required will be substantially greater than for regulatory capital instruments. It would be very useful to introduce a materiality threshold for (or include only benchmark issuances). Transactions below a threshold could be aggregated. Private Placements (for subordinated and senior debt) should be aggregated, to manage down the volume of disclosures and to provide reasonable confidentiality, both as to the firm's financing strategy and for lenders. The principles of aggregation need to be discussed, but reasonable aggregation should allow other lenders to see the general position of private placements in the stack. Private-placement lenders are presumably in a position to negotiate comprehensive disclosure of their exposures as part of the placement process and so would not need to rely on public disclosures to ascertain their own exposures to bail-in.

Finally, we are supportive of disclosure on a semi-annual basis as required per Article 433a(3). It should be noted that regardless of the prescribed disclosure frequency, the bank will have the opportunity to update its website whenever it issues or repays a capital or TLAC instrument or whenever there is redemption, conversion, write-down or other material change in the nature of an existing instrument.

<u>Article 434a: Uniform format and calendar articulation issues</u>

The EBA has consulted on Guidelines that require, for some institutions, 2017 year-end disclosures that go beyond the CRR - these requirements apply before draft CRR amendments have been finalised and whilst a mandate is given to the EBA to draft an ITS in these amendments, these are unlikely to be ratified pre-end 2018 or to come into force until 2020/2021.

As such, the application date of the varying disclosure requirements is unclear and we seek confirmation that we have interpreted the expectations appropriately:

- **EU Banks are required to apply Dec 2016 EBA final guidelines on Phase I till EC agreement on the next EBA ITS on uniform disclosure formats, probably in 2020** (cf. Art. 434 a 1.EBA shall develop draft ITS specifying uniform disclosure formats by [30.06.19], with probable EC endorsement at + 3 /8 Months).
- **EU Banks are NOT required to publicly disclose any topics from the Phase II until such a time that these requirements are finalised and transposed into the EU through endorsement and an ITS(s).** It should be noted that CRR institutions will require a period between ITS finalisation and public disclosure to build and test the relevant reports with the appropriate oversight of risk and governance committees.

We have included a table of disclosure application dates of different aspects of the prudential framework for reference purposes in the Annex.

Requirements in CRR2 not required by BCBS

We outline below instances (select, material instances) where the requirements proposed as part of the CRR review go beyond Basel standards, requiring substantial additional disclosure for which the additional cost-benefit of such disclosures is unconfirmed. It is our opinion that these requirements should be realigned to the Basel standards until such time that there has been a comprehensive assessment of the cost-benefit of providing the additional information prescribed in the CRR review proposals.

CRR review proposal goes beyond the BCBS final standards on Phase I, as detailed in the table below.

	CRR review	**BCBS Phase I January 2015 d309**
Governance arrangements	*Article 435(2)*	NA
Scope	*Article 436(b)* Differences consolidation vs prudential scope, entity by entity	Details Not required in LI2
Capital requirements	*Article 438(f):* Non-deducted participations in insurance undertakings	NA
Credit risk & credit risk mitigation	*Article 442:* (c) Non-performing and forborne exposures (d) Ageing of past-due exposures (e) Geographical breakdown of exposures (e) Concentration of exposures by industry or counterparty types (f) Residual Maturity breakdown of loans and debt securities	Much less detail (flexible format) and less frequency in CRB
Credit risk SA	*Article 444: same as BCBS*	
Credit risk IRB	*Article 452(1)(g):* Back testing of losses + PD + LGD	p.30 Back testing of PD only
Counterparty Credit risk	*Article 439(e):* gross value of derivatives & SFTs + netting + collateral *Article 439(i)* credit derivatives split own credit portfolio / intermediation purposes	Not required in CCR5: only collateral is required Split Not required in CCR6

CRR review proposal goes beyond the BCBS proposals raised in its consultation paper on Phase II

	CRR review	BCBS Phase II June 2016 d356
Market Risk Internal Models	*Article 455:* Own funds requirements simulated under SA detailed by desk	Not required in MRC, MR2

Detailed Comments on other points

Article 430a: Definitions

The useful definition of what is meant by large institution / large subsidiary / non-listed institution / small institution is welcome by the industry.

Article 431 (3): Disclosure requirements and policies

We believe the inclusion of the following disclosure requirement (underlined) requires reconsideration:

"At least one member of the management body or senior management of institutions shall attest in writing that the relevant institution has made the disclosures required under this Part in accordance with the policies and internal processes, systems and controls referred to in this paragraph. The written attestation referred to in this paragraph shall be included in institutions' disclosures."

Whilst attestations are appropriate as supervisory tools, their use should be limited to supervisors / regulators of the institution. This would be consistent with the use of other non-enforcement supervisory tools. Additionally, their value as public disclosure items is unclear and their inclusion in P3 disclosures may suggest a legal status which an attestation does not merit.

Article 432(2): Non-material, proprietary or confidential information

We welcome that fact that impacts on competition have been explicitly recognized as confidential in certain circumstances. Nevertheless, we would recommend an ex-post control by competent authority of potential non-disclosure (in fact already included in the existing regular review of disclosure e.g. review of registration document by AMF in France for instance) rather than a "prior consent" which will create an additional complex, cumbersome and redundant process.

Article 435(1)(f)(ii): Disclosure of risk management objectives and policies

Reporting of intra-group transactions and transactions with related parties that may have a material impact on the risk profile of the consolidated group requires the disclosure of quantitative information which was not previously required.

Intragroup balances already form part of financial statement disclosures and provide market participants an aggregated view of intragroup positions. Additional more granular quantitative disclosure would provide market participants, including competitors, a view of an institutions internal transactions which is highly confidential and proprietary. Disclosure of such information should be limited to regulatory reporting. We believe that detailed qualitative disclosures which enable the market to form a view on the institution's management of intragroup risk, without disclosing proprietary data, is most appropriate in the public domain.

Article 439(i): Disclosure of exposures to counterparty credit risk

The **split** of notional amounts and fair value of credit derivative transactions **between own credit portfolio purposes/ intermediation purposes** is too burdensome, with little value for investors.

Article 442(e): Disclosure of exposures to credit risk and dilution risk

This article requires the disclosure of Gross and Net Carrying amounts of both defaulted and non-defaulted exposures, and their distribution by geographical area and industry type. This addition is understood to be as a result of the adoption of templates CRB-C and CRB-D proposed by the EBA in its consultation paper.

In our opinion, the use of Original Exposure and EAD will probably offer more relevant information in terms of capital requirements. The cost of obtaining the carrying amounts disaggregated across regulatory exposures could surpass the benefit provided to investors.

Moreover, the difference between regulatory and accounting balances are already covered by other templates proposed by the BCBS (LI1 and LI2).

Article 449: Securitizations positions

These disclosures are much too **burdensome** (too many items, too granular, too technical) for European banks, which issue less securitization instruments compared to banks from other jurisdictions (eg US). These heavy disclosures do **not seem to be very useful/ helpful for investors**, as they raise very few questions on the subject. Thus, we request the introduction of materiality thresholds specific to the characteristics and size of the European securitization market.

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About AFME

AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society. AFME is the European member of the Global Financial Markets Association (GFMA) a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) in Asia. AFME is listed on the EU Register of Interest Representatives, registration number 65110063986-76.

Annex - CRR, Phase I and II application dates

	<u>**Requirement and Application Date**</u>
Q2 2016	**Phase II - End of BCBS Consultation** ***June 2016***
Q3 2016	**Phase I - End of EBA Guidelines Consultation** ***September 2016***
Q4 2016	**Phase I - BCBS final standards (Pillar 3 disclosure requirements)** ***December 2016*** Overview RWA; Linkage between accounting & regulatory exposures; Credit Risk; Counterparty Credit Risk; Securitisation **Phase I - EBA Final Guidelines require best efforts based limited disclosures for G-SIBs** ***December 2016***
Q1 2017 **Q2 2017** **Q3 2017**	**Phase I - EBA Guidelines require quaterly or semi-annual disclosure for G-SIBS** ***March / June / September 2017***
Q4 2017	**Phase I - EBA Final Guidelines apply to all EU banks** *December 2017* **Phase II - BCBS** Key Metrics; Composition of Capital; GSIB disclosures and CCB by Geography; Leverage Ratio (LR), including Balance Sheet vs LR Exposure; Liquidity LCR; Remuneration
Q1 2018	**Phase II - BCBS :** Liquidity NSFR *January 2018*
↓	
Q1 2019	**CRR entry into force** *January 2019? - Estimated as late 2018, early 2019.* **Phase II - BCBS : TLAC** *January 2019*
Q2 2019	**Art. 434 a 1.EBA shall develop draft ITS specifying uniform disclosure formats by [30.06.19]** *June 2019 + 3 /8 months: 2020?*
↓	
Q1 2021	**Art. 448.3. EBA shall develop draft RTS to specify the common modelling and parametric assumptions … net interest income** *2 years post entry into force of CRR2* *Estimated CRR implementation timeline of start-2021*
Unspecified timeline	**Art. 432.1.EBA shall … issue guidelines on how institutions have to apply materiality in relation to the disclosure requirements …** *Previous Guidelines 23 dec 2014* *New Deadline not specified*
Unspecified timeline	**Art. 432. 2.EBA shall… issue guidelines on how institutions have to apply proprietary and confidentiality in relation to the disclosure requirements …** *Previous Guidelines 23 dec 2014* *New Deadline not specified*