
Consultation Response

SRB consultation on Expectations on Valuation Capabilities

2 July 2025

The Association for Financial Markets in Europe (AFME) welcomes the opportunity to comment on **the SRB's consultation on Expectations on Valuation Capabilities**. 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 registered on the EU Transparency Register, registration number 65110063986-76.

Summary position

AFME's members recognise the importance of ensuring accurate and timely access to data for the purpose of valuations in resolution. However, we have significant concerns regarding the approach proposed by the SRB in its Expectations on Valuation Capabilities (EoVC). We urge the SRB to reconsider the proposal in its entirety due to fundamental flaws in its design, cyber security risks, lack of cost-benefit justification, and the disproportionate burden it would impose on in-scope banks.

The proposed approach represents a significant change, moving from the assessment of capabilities to the ongoing collection of data that is to be made permanently available to the SRB and its potential third party contractors. AFME members do not understand the reason for this new approach, particularly as other national resolution authorities (NRAs) have adopted a more pragmatic and realistic approach. This includes the Bank of England and Federal Deposit Insurance Corporation, who base their assessment of resolvability on the capability of banks under their remit to produce timely and accurate valuation-related information on an ad hoc basis.

While the SRB may request information and data that is necessary to fulfil its mandate, including for the purposes of valuation in resolution, the proposal at hand is not about requests for information aimed at testing institutions' valuation capabilities in resolution. The new Valuation Data Set (VDS) extends significantly beyond valuation purposes. It represents a thorough overhaul of the data model and a new, holistic submission of information framework for in-scope banks. The SRB's power to request information should not be interpreted as a mandate to impose a permanent obligation to pre-assemble and store a wide range of data potentially relevant to valuation in resolution. This would, in our view, go beyond the SRB's power under the Single Resolution Mechanism Regulation (SRMR) and its information rights, which are designed to facilitate targeted and proportionate¹ data collection as necessary for the execution of its objectives. We strongly object to the requirement to create a Data Repository for Resolution (DRR) – a permanent, centralised, unique register under the custody of the entities under its remit – for these reasons.

¹ The term 'proportionate' is used in our submission in line with the meaning of 'principle of proportionality' set out in Article 5 in the Treaty on European Union.

The DRR requirements create very significant cyber security risks, high costs, and operational instability, as well as legal uncertainty and proportionality issues, as the SRB explicitly reserves the right to amend the requirements without prior notice and whenever deemed necessary. In addition, the proposal requires institutions not only to provide data as per the SRB expectations on the VDS, as modified by the draft paper submitted to the present consultation, it also requires institutions to build – concurrently - their capability to provide data under the Valuation Data Index (VDI) required by the proposal, in an extremely short timeframe.

In practice, and without reference to the increased number of data points expected, the proposal will require banks to set up a dedicated team, with a data room that is permanently open, to update all the information on the group. This will be extremely complex and expensive given the extensive scope of application and the significant amount of information expected to be stored in the data room. Allowing the SRB to have constant access to a huge data repository on the bank IT system will cause significant problems in terms of confidentiality and cyber security. It raises concerns related to the security of confidential, price-sensitive, and strategic information and threats in terms of economic intelligence. Making this extremely extensive set of information permanently available in a dedicated and centralised location could make the data a major target of cyber attacks, and permanently shared access to the same would represent a major vulnerability risk. This does not improve resolvability and would even put a bank at risk. Both the sheer volume of sensitive data and the permanent opening of it to the external world are generating significant risks.

The blanket application of the requirements further exacerbates industry's concerns, and we urge the SRB to review the breadth of entities in scope. In particular, EU subsidiaries of non-EU groups subject to a home-led single point of entry (SPE) resolution strategy should be excluded from the EoVC. In these cases, the resolution plans developed by home country authorities – in coordination with the SRB and other relevant EU authorities – are expressly designed to avoid any need for independent SRB-led resolution proceedings. These subsidiaries are not 'resolution entities' within the EU, yet the EoVC proposal subjects them to the same full-scope VDI requirements as top-tier EU resolution entities. This disproportionate treatment requires extensive up-front resource expenditure that does not support the SPE strategy and may undermine significant progress achieved in home-host coordination on the global resolution strategy ultimately recognized by the SRB as the preferred approach for those entities.

In addition, a review of the application of the requirements for other entities is required to maintain the scope previously agreed (notably for the VDS project) and to tailor requirements to other entities based on their resolution strategies and the varying requirements for valuation analysis depending, in particular, on the resolution tool concerned.

Overall, the proposal is disproportionate and, in our view, appears to exceed what is necessary to achieve the objectives set forth by the SRMR. We note in particular that the lack of targeting in the proposals is at odds with the approach taken by external valuers in resolution cases, where the specificities of different entities are considered. We welcome the engagement the SRB has had with independent valuers to date and encourage the SRB to continue this engagement in reconsidering the proposals.

We recognise the SRB's interests in having the capability to carry out valuations internally given time may be limited in resolution scenarios, but we recommend that the SRB apply similar principles as independent valuers and avoid a misguided one-size-fits-all approach. We also question the validity of such valuations in the context of global Crisis Management Groups. Reflecting on the Financial Stability Board's lessons learned, we note that global regulatory bodies were preparing for the resolution of Credit Suisse at least five months prior to resolution action. Even in cases where time constraints require a provisional valuation by a resolution authority, a final valuation will still need to be conducted by an external valuer at a later stage. Therefore, we

believe it is essential that the SRB's approach is firmly grounded in the established practices of professional valuers, based on real cases, reflective of the specificities of different entities, and takes account of the timelines and approach for the resolution and valuation of global systemically important banks (GSIBs) with input from global regulators. Aligning with these practices from the outset will help ensure consistency and reduce the need for future adjustments.

In addition, the EoVC indicate that there is a simple quantitative approach to a valuation. However, a valuation is highly subjective and driven by assumptions. Disadvantages of quantitative valuation methods include their reliance on formulas and models and assumptions that these formulas and models are perfect, when in reality it is much more nuanced, especially where the valuation is highly subjective, such as for illiquid assets and liabilities. Taking a purely quantitative approach may pose the SRB to increased litigation risk post any resolution decision.

We have highlighted in our more detailed responses below areas of duplication identified by AFME's members. We note that, under the SRMR, the SRB and competent authorities are required to cooperate and assess whether requested information is already available. This reflects a clear objective of avoiding unnecessary duplication and ensuring a streamlined, efficient flow of information. The SRB's proposal fails to respect these provisions and, to some extent, directly conflicts with the principle of avoiding duplication in information exchanges. In light of the duplications identified, we encourage the SRB to carry out further engagement with other relevant authorities, in particular the ECB, before finalising the EoVC, and to be mindful of the extensive information already provided or which is publicly available.

Such engagement is important in the context of other developments, notably the ECB Integrated Reporting Framework (IReF) project, to ensure EoVC requirements reflect future expectations for the IReF. Alignment of timelines would be welcome.

We also urge the SRB to stabilise its expectations. Frequent updates require repeated investments from banks, which is very costly, burdensome and inefficient. We consider the calendar envisaged by the SRB to implement the new EoVC unrealistic and request the SRB to reconsider the way it will assess institutions' capabilities to transmit information for the purposes of valuation in resolution. In this regard, the claim by the SRB that it can change the said requirements without notice, would in practice needlessly aggravate calendar issues.

Finally, we would like to raise process concerns regarding the consultation. First, requirements on the scale proposed by the SRB warrant a cost-benefit analysis and consideration of justification for the change in approach, especially given the amount of resource needed to meet the requirements and challenging implementation timeline.

Second, the consultation questions focus on specific aspects of the EoVC without inviting comments on the overall approach. We are surprised by this given the significant changes. Nonetheless, we have aimed to address the specific questions while also raising our wider concerns.

To conclude, the SRB requirements under EoVC appear to be very disproportionate and unrealistic. They would be extremely demanding in terms of resources and investments that could not be deployed to support the necessary transformation of the economy and of the banks themselves as they normally should. We would welcome further meaningful engagement between industry and the SRB to inform a revised approach to the EoVC which is proportionate, principles and risk-based, as well as stable and future proof. We look forward to discussing these issues further.

Questions and responses

General feedback

Q1 Are the requirements in the EoVC sufficiently clear and understandable?

Unclear rationale for new approach

The EoVC indicate a significant change in approach by the SRB, moving from the assessment of capabilities (which aligns with expectations in other jurisdictions, such as the UK and the US) to the ongoing submission of data in a repository under each bank's custody to be made permanently available. This represents a significant extension beyond the original purpose of the EoVC and, in our view, appears to go beyond what is mandated under the SRMR and Banking Recovery and Resolution Directive (BRRD). It is unclear why this approach and corresponding requirements are being proposed. The approach raises serious concerns regarding the principles of proportionality, legal certainty, and non-duplication of information exchanges. No explanation of why a new approach is needed is included in the EoVC, nor is there a justification for the broad scope of the requirements, the entities they apply to, and the significant costs entailed. The fact that the EoVC are presented as 'requirements' appears to go beyond the powers of the SRB under the SRMR and the Meroni doctrine.

Review needed to adhere to principles of proportionality and efficiency in data collection

We consider the approach disproportionate given the limited benefits to be gained and consider that the blanket application does not take account of banks' different resolution strategies and the varying requirements for valuation analysis depending on the resolution tool applied. In addition, we consider that the approach introduces new risks, such as for cyber security and personal data protection, and uncertainty, given the SRB reserves the right to amend the expectations without prior notice.

While the EoVC acknowledge the importance of efficiency in data collection, the objective risks being undermined by the onerous requirements. More generally, the approach contradicts the wider simplification agenda, the SRB's own priority to streamline the resolution planning process (as set out in the SRB's 2025 work programme), and the requirement for the SRB and competent authorities to cooperate on the availability of information. We also urge the SRB to reflect the practices of independent valuers in the approach, as well as the approach and timelines related to the resolution and the valuation of GSIBs with input from global regulators.

Concerns regarding specific requirements and scope

In relation to the specific requirements, we note that the creation of a permanent DRR, and the related additional expectations or data requirements for banking groups, in particular raise serious concerns for the industry. The power to request information should not imply a mandate to impose a permanent obligation to pre-collect and store a wide range of data potentially relevant to valuation in resolution. This would, in our view, go far beyond the SRB's power under the SRMR as well as its information rights, which are designed to facilitate the targeted and proportionate data collection when necessary – not to establish a continuous, burdensome, and binding tool. A more pragmatic approach would be to establish a DRR only upon reaching specific triggers as resolution does not happen overnight. Banks could demonstrate their ability to provide information for valuation purposes through testing.

The blanket application to a wide range of entities is also a priority concern. Non-resolution entities (including subsidiaries of third country banks that have implemented in-house valuation capabilities under Article 36 of the BRRD) whose resolution strategies are limited to the Write-Down and Conversion (WDC) of internal MREL instruments, or which are intended exclusively for the booking of certain operations such as covered bond issuances, should be removed from the scope. In the specific case of RLEs that would be subject to a WDC, a VDS is generally already required under previous expectations, so requiring now a whole VDI to be updated biannually for the RLEs seems completely disproportionate. In relation to specific requirements, such as the VDS, we urge the SRB to maintain the scope previously agreed.

Suggested approach

For the reasons set out above, AFME and its members strongly encourage the SRB to reconsider the EoVC in their entirety. We consider that the approach should be replaced with a principles and risk-based approach which leverages readily available systems and existing capabilities, and request information on an ad hoc basis. This approach should include tailoring expectations to the resolution strategy of each bank and reflect the actual risks posed by different entities, with the information stored to be proportionate to the type of entity. For a number of entities, and with reference to their identified preferred resolution strategies, it should be sufficient for a bank to confirm that it has capabilities which it can give effect to within a reasonable timeframe. AFME and its members remain available to discuss a more suitable way forward.

We would also like to raise process concerns regarding the consultation. First, requirements on the scale proposed by the SRB, should such requirements be maintained, warrant a cost-benefit analysis, a proportionality analysis, and consideration of legal justification for the legal basis of the expectations. We would encourage the SRB to engage with industry to develop this analysis.

Second, the consultation questions focus on specific aspects of the EoVC without inviting comments on the overall approach. We are surprised by this given the significant changes. Nonetheless, we have aimed to address the specific questions while also raising our wider concerns.

Finally, some members have understood from their IRTs that they should begin the implementation of the EoVC as of now, despite the current consultation. We would welcome more engagement between industry and the SRB to inform the SRB's consideration of the next steps and ensure due process.

Valuation Data Index

Q1 Are the document-requirements in the VDI clear?

We consider the requirements to be excessive as noted in our general comments. Extensive information is already provided to the relevant authorities and the duplication identified below suggests further engagement between the authorities is needed, in particular with the ECB, to review the requirements before the EoVC are finalised. This would also help avoid overlap in responsibilities between the ECB and SRB. Under the SRMR, the SRB and competent authorities are required to cooperate and assess whether requested information is already available. This reflects a clear objective of avoiding unnecessary duplication and ensuring a streamlined, efficient flow of information. The SRB's proposal fails to respect these provisions and, to some extent, directly conflicts with the principle of avoiding duplication in information exchanges.

We would welcome clarifications on the following issues:

- whether the Liability Data Report (LDR) will be required given that a Minimum Bail-in Data Template (MDBT) is required to be reported twice a year;
- a clearer indication of the scope and type of internal stress tests the SRB expects to collect, given banks carry out multiple tests on different topics each year;
- how the SRB proposes to reconcile the requirement to maintain two different approaches on MDBT (i.e. one in a bail-in context and one in a valuation context) given differences in reference dates;
- further details on the geographical scope when providing tax information at group/sub-group level, and details on the type of taxes for which information is to be provided;
- whether the instructions on internal audit reports will be reviewed as some of the instructions relate to topics that are control points as part of audit missions rather than subject matters. The number of audit reports likely to meet these conditions can be significant, making their analysis challenging and their usefulness questionable;
- more specific instructions regarding the information on internal models expected to be provided as large banking groups may rely on several hundreds if not thousands of different internal models; and
- clarity on the SRB's expectations regarding information to be submitted at solo entity level, given a number of information requirements can only be fulfilled at group level.

In addition, we would like to highlight the following duplication:

- **2.1 Legal entity structure:** this information is already provided to authorities in annual Resolution Planning reporting (see Annex II of EBA final draft ITS on Resolution Planning Reporting, template Z01.01/legal entities). The information is also publicly available in each entity's Universal Registration Document, which is published annually.
- **2.3 Business strategy:** market positioning and business strategy information is already provided to the ECB upon request or through Recovery Plans. Most of the information is also widely available on entities' websites, in investor presentations, Universal Registration Documents, and commercial brochures. This information would also be well known and understood by Supervisors and Resolution Authorities as Resolution Authorities consider this information during annual resolution planning cycles. Banks' business strategies is predominantly developed at business unit level. Except for the parent company and large subsidiaries, the provision of a business strategy at non-resolution entity level will either not be possible or misrepresent the bank's operational reality and strategic decision making process.
- **2.4 External rating reports:** this is public information. Instead of submitting the information to the DRR for VDI purposes, banks could refer the SRB to the public website where the information is available.
- **2.5 Shareholders:** this information is already provided to authorities in annual Resolution Planning reporting (see Annex II of EBA final draft ITS on Resolution Planning Reporting, template Z01.02/ownership structure, in which the threshold is set at 2% instead of 3% in the EoVC guidance).

Detailed information on a Group's shareholding structure and companies included in the consolidation scope is also publicly available in each entity's annual Universal Registration Document.

- **3.1 Annual reports and 3.2 Interim reports:** such reports are already made available quarterly via the entity's website or to supervisors as part of the information requested by the ECB.
- **3.5 Management reports:** these reports are given to the ECB on a regular basis.
- **3.6 Business plan and 3.7 Explanation of the business plan:** this information is sent to Joint Supervisory Teams (JSTs) on an ad hoc basis ahead of a dedicated workshop twice a year. Information on a division or business line basis is also shared with the ECB ahead of individual meetings between local entities and their supervisor.
- **5.1 FTE cost overview:** a review of management figures is sent to the ECB quarterly.
- **7.1 Risk strategy, 7.2 Risk reports and 7.3 Trading book risk reports:** Universal Registration Documents provide for a large amount of risk related information. Extensive information is also provided to supervisors on a regular basis as part of ECB's Supervisory Examination Program/SEP list of reporting.
- **7.5 Stress tests:** documents and reports relating to ECB/EBA stress tests could be collected directly from supervisors by the SRB. In relation to internal stress tests, as referenced earlier in our answer, more clarity on the scope and type of tests the SRB expects to collect would be helpful, noting that banks carry out multiple tests on different topics every year.
- **8.1 Litigations:** board-level risk committee documents, including information about litigations, are already sent to JSTs.

We propose removing the above requirements and that firms are generally exempted from providing VDI elements that are already available. The relevant authorities already receiving this information would be able to share it, in line with Articles 13(2) and 34(6) of the SRMR.

Q2 Does the VDI cover all valuation-relevant aspects?

We have not identified any gaps, but as noted in response to other questions, we consider that the VDI covers too broad a scope, extending beyond Article 20(14) SRMR which solely provides, for the purposes of valuation in resolution, for the transmission of data relating to "assets and liabilities". This risks leading to errors and the provision of certain irrelevant information which would hinder a streamlined resolution planning process. We encourage the SRB to review the approach of the EoVC.

According to our members' internal experts on valuation, many items are not relevant for a valuation or at least, not in the granularity expected by the SRB in the EoVC. As an example, *FTE cost overview* can be relevant at aggregate level, but the detail by business unit is not necessary for valuation purposes.

As part of this process, we also encourage the SRB to continue to consult with potential independent valuers, for example regarding how different resolution tools are considered in the approach for valuations. We note, for instance, that homogenous loans tend to be valued as portfolios rather than at instrument level. The SRB should base its expectations on real cases of valuation made by independent valuers, reflecting notably that a one size fits all approach cannot be applicable.

Q3 Do you foresee any challenges or obstacles in gathering the required documents as outlined in the VDI?

The SRB requires comprehensive documentation to execute a thorough valuation in resolution, but we are concerned that the frontloading of submissions on the DRR will have an unnecessarily negative impact on the ordinary course of business. AFME's members have indicated that the approach would require new dedicated teams to be established to meet the requirements on an ongoing basis. Evidencing the capability to gather relevant information upon request should be sufficient to the SRB to support resolvability.

Industry's strong preference is that the approach be reviewed given the availability of comprehensive information in a timely manner can be achieved by allowing banks to test segments/samples of data in accordance with established testing principles. Reporting VDI on demand could then be limited to cases where a resolution risk increases beyond defined triggers. We also recommend that the SRB leverages readily available systems and existing capabilities within firms. This would be in line with the objective of ensuring suitable capabilities to provide data at pace, rather than requiring ongoing reporting.

We propose that a review of the requirements should mitigate against the following challenges:

- **Frequency:** the frequency of any data submission should strike a balance commensurate with a risk-based approach and according to the identified resolution strategy. The proposal does not currently achieve this, nor does it sufficiently take account of regulatory reporting processes. For example, FINREP reporting is due at T+42, meaning the 60-day window leaves a very limited timeframe for the necessary reconciliation activities between the VDS and FINREP data, which are required under the quality assurance expectations. Such a timeline risks impacting the rigour of consistency checks, validations, and potential corrections or re-runs. There is also a lack of alignment with other reporting, such as the LDR, which would impede harmonised internal planning and resource allocation.
- **Cost of compliance:** implementing and maintaining the infrastructure and processes required to collect, organise, and update the extensive range of VDI documents across multiple entities will require significant investment in technology, personnel, and internal controls. This will divert resources normally allocated to the management of day-to-day activities. We recommend that the SRB carry out a cost benefit analysis to ensure the requirements are sufficiently assessed and justified per entity type and identified resolution strategy.

In addition, AFME's members have highlighted that the EoVC introduce new risks. These include:

- **Risks to data protection and cyber security:** providing access to sensitive and confidential information on a permanent basis introduces vulnerabilities that could increase the risk of cyber attacks. We also note that banks cannot accept responsibility for the secure handling of information after it has been delivered to the resolution authority.
- **Increased risk of errors and inefficiencies:** the significant volume of data points and documents requested will lead to complex and cumbersome processes for data collection, validation, and submission across multiple entities. This complexity is likely to increase the risk of errors and inefficiencies. This is a further reason why we encourage the SRB to review its approach and reconsider the need for such extensive requirements.

AFME and its members would welcome engagement with the SRB on a new approach which mitigates against these challenges and risks.

Q4 Is the description of the entities in scope appropriate and sufficiently clear?

AFME's members consider the breadth of entities in scope of the requirements to be disproportionate and contradictory to a risk-based approach.

First, the scope applies equally to both resolution entities (RE) and entities that are not designated as REs but are EU subsidiaries of EU banking groups, of third-country parent undertakings, or that have parent undertakings outside the Banking Union but within the European Union.

In the context of a single point of entry (SPE) strategy, a relevant legal entity (RLE) is not subject to resolution per the PRS, but would be subject to non-resolution Internal Loss Transfer and Recapitalisation Mechanism (ILTRM). Therefore, we consider that requests for ex-ante valuation capabilities from such entities are not needed, especially where the entities are meeting internal MREL requirements. A valuation for EU subsidiaries of non-EU based groups would only be needed if a decision was made to resolve a failed bank using the 'variant' strategy of a transfer through sale of business or a bridge bank tool. However, this would only be required if an SPE bail-in failed. We do not consider that an event with such a low likelihood should require extensive and onerous requirements to be applied as foreseen by the EoVC. For these reasons, we recommend excluding the subsidiaries of non-EU based groups in SPE from the scope of the EoVC.

Second, there is a mismatch between the broad array of entities in scope and the requirements, which are suited to firms with traditional business models focused on retail and commercial banking activities. Firms with large trading activities, for example, will not be able to establish and maintain the required types of data. Even if they could, the data would not provide meaningful information to the Independent Valuer, meaning that the collection of the relevant data and submission in the DRR would be unhelpful yet costly, therefore failing to meet its objectives. For institutions with large and complex trading books, the reliance on granular, prescriptive data may not fully capture the dynamic nature and specific risks inherent in such portfolios. A more principles-based approach would allow these institutions to demonstrate their capacity to value these books rapidly and accurately under stress, potentially leveraging advanced internal methodologies and real-time market data capabilities, rather than being constrained by a rigid data template.

Similarly, the requirements would mandate VDI from banks even where they predominantly hold positions at fair value or have the capability to report daily fair values for the majority of their balance sheet. RLEs intended exclusively for the hosting of a limited number of activities or specific operations, such as covered bond vehicles, also seem to be in scope. We do not consider this appropriate given the lower level of risk they present and low likelihood of the risk crystallising.

AFME urges the SRB to reconsider the breadth of entities in scope in light of the above points and with regard to the proportionality principle referenced in Article 5 of the TEU. The SRB should not ask for an extensive VDI for entities that are not themselves REs to be consistent with the resolution plan. The VDS already submitted by the RLEs subject to internal MREL should be enough along with the information already available at consolidated level to make a potential valuation in the context of a WDC.

Banks would welcome an exchange with the SRB to further discuss the scope of the EoVC.

Valuation Data Set

Q1 Are the functional and technical descriptions of the data fields in Annex 3 clear?

Before outlining our comments on specific functional and technical descriptions of the data fields in Annex 3, we would like to register an overarching concern with the difference between the 2020 and the 2025 VDS. Approximately 100 data points of the 2020 VDS are no longer required in the 2025 VDS and 230 new data fields have been created to the 2025 VDS (more than 50% new data fields out of a total of 429).

As a result of this change, banks' related investments will be written off, yet the reason for the change in approach is unclear. Furthermore, we consider the requirement to permanently maintain a VDS disproportionate.

It is important that the scope of the new VDS remains the same as the one agreed between the banks and the IRTs at the beginning of the VDS project. There is no justification to extend the scope to the RLEs as defined in the draft ITS EBA on Resolution Planning Reporting². For some banks, extending the scope of VDS to all the RLEs would dramatically increase the number of in-scope entities. Given the importance of investments required, the industry requires the scope to remain as stable as possible over time, including only subsidiary entities subject to Internal MREL.

We would reiterate the request for additional explanation, a cost benefit analysis from the SRB, and a deeper dialogue with industry before proceeding with the EoVC to mitigate the instability resulting from such frequent changes and to give banks enhanced legal certainty. We note, for example, that the consultation refers to cashflow data points being collected *'only for Level 2 and Level 3 exposures, which represent a small portion of banks' assets'*. However, large parts of investment banks' derivatives are at Level 2. We highlight this as the above wording suggests a misinterpretation of the onerousness of the requirement.

In relation to the clarity of the data fields more specifically, an official gap analysis excel file showing the changes between VDS 2020 and VDS 2025 would be helpful to reduce the risk of misinterpretation and provide support on the new sourcing implementation to happen in the coming years. We note the table provided in Annex 6, but a clearer and more definite gap analysis is needed with confirmation of any changes to definitions. Annex 6 refers to 'similar fields' which is insufficiently clear.

Q2 Do you foresee any challenges or obstacles in collecting the required VDS data fields?

A number of challenges have been identified by AFME's members. These relate to:

- **Collection and control of high volume of data:** the EoVC require a very high volume of data (several million individual contracts and deals) to be collected and reviewed on a regular basis, which is practically challenging and again goes significantly beyond what is necessary for the purposes of valuation in resolution. In addition, initial assessment suggests that certain data fields may not be available currently within internal data infrastructure or standard reporting processes.
- **End-of-month cut-off date and links with existing reporting frameworks:** the capability to prepare the VDS with an end-of-month cut-off date on request appears unnecessary, is too

² [Final report on draft ITS on Resolution Planning reporting.pdf](#)

demanding for some information, and not always relevant or feasible. We note, for example, the link between the daily EMIR, the yearly LDR or the monthly AnaCredit report and the quarterly 2025 VDS. Other information for which difficulties arise include tax information, litigation costs, operational costs/liabilities, contracts with service providers, intragroup funding, trade finance assets and other metrics which may only be produced on a quarterly basis. This is because this information does not change significantly on a monthly basis so there is little value in producing it more frequently.

- **Maintaining 2020 VDS capabilities while developing 2025 VDS:** the dual requirement to maintain a complex framework requiring adaptations to meet the evolving MIS environment (i.e. the 2020 VDS capabilities) while developing the 2025 VDS places a significant burden on banks and will divert resources from the 2025 VDS. We propose that the requirement to maintain the 2020 VDS capabilities be removed to allow banks to focus on more definitive valuation capabilities which follow an 'assessment' approach.
- **Risk of misinterpretation:** an official gap analysis excel file showing the changes between VDS 2020 and VDS 2025 would be helpful to reduce the risk of misinterpretation and provide support on the new sourcing implementation to happen in the coming years.
- **Alignment between VDS and Integrated Reporting Framework (IReF) data model:** we note the reference to the IReF in the question, but consider that the integration of EoVC-VDS data requirements into the IReF data model is unclear. There appears to be overlapping requirements between the SRB's expectations for the VDS and the content of the future IReF by the ECB. In particular, for exposures related to Loans & Off-Balance items, there are clear similarities between the two initiatives in terms of data granularity and information content. We note that, although not yet officially confirmed, the two initiatives foresee different implementation timelines. While banks are expected to be able to produce the future version of the VDS starting from the end of 2027, the IReF is provisionally scheduled to come into effect from 2029. As a result, firms would welcome clarification on whether the information content of the VDS should be considered as an early subset of what will later be required by the IReF. We also encourage the SRB to coordinate from both a regulatory and operational perspective with the ECB to avoid duplication in banks' project developments and to ensure a harmonised approach to granular data collection. There should be full coherence between the IReF and VDS in terms of data sets and implementation timelines. This would align with the SRB's communication that the EoVC take "current regulatory initiatives into account e.g. the Integrated Reporting Framework (IReF) project...". A stable, robust and integrated data architecture is a key element for meeting both sets of requirements.

Overall, the granularity and extent of interconnections and reconciliations requested by the SRB between the VDS and numerous statistical, accounting or prudential reports is unprecedented; there are no comparable requirements to date among regulatory reports requested by supervisors. We therefore reiterate our request for a full review of the EoVC.

Q3 Are the validation rules suitable to ensure a high level of data quality?

While we consider that the rules support high quality data, we consider that this outcome can be achieved through a less burdensome approach. A more targeted and risk-based approach would ensure that resource can be focused on high quality inputs that will be most beneficial to valuations, supporting a streamlined resolution planning process.

Data Repositories for Resolution

Q1 Are the descriptions of DRR functionalities clear?

We consider the descriptions clear, but have concerns regarding the wider approach, as set out in response to Q3.

Q2 Are there any additional DRR functionalities that you deem strictly necessary for valuations in resolution?

We have highlighted our specific concerns with DRR functionalities in response to Q3.

Q3 Do you foresee any challenges or obstacles in setting up a data repository for resolution with the minimum functionalities as outlined in the EoVC?

AFME and its members consider that achieving efficiency in data collection can be done through less onerous requirements than those entailed by a DRR.

Given the volume of data required for the VDI, collecting data in the DRR will be highly burdensome, as will compliance with format requirements. We would like to stress previous comments that a risk-based approach would be more appropriate, whereby data and information would be required only if and when the situation of a bank deteriorates. An approach where capabilities to deliver are regularly tested (in line with the approach in other jurisdictions, such as the UK and the US) would deliver efficiency in data collection and support a streamlined resolution planning process. We would reiterate that the SRB should leverage readily available systems and existing capabilities within firms. For some entities, it should be sufficient that a bank confirms it has capabilities to set up a DRR within a reasonable timeframe.

In addition, risks relating to data protection and cyber security, as raised in relation to the VDI, are equally applicable in relation to the DRR. Providing access to sensitive and confidential information on a permanent basis introduces vulnerabilities that could increase the risk of cyber attacks. Firms and governmental bodies face constantly escalating cyber security challenges and threats. The ECB and IMF have noted the growing frequency and scale of cyber attacks and their potential impact.³ Although our members maintain robust cyber security defence systems that are continually being enhanced, risks can particularly arise in cases where regulated institutions are obligated to share extensive compilations of sensitive data with supervisory agencies.

³ See Fabio Natalucci et al., IMF Blog, *Rising Cyber Threats Pose Serious Concerns for Financial Stability* (Apr. 9, 2024), available at <https://www.imf.org/en/Blogs/Articles/2024/04/09/rising-cyber-threats-pose-serious-concerns-for-financial-stability>; European Central Bank Banking Supervision, *Evolving IT and Cybersecurity Risks* (Nov. 2024), available at https://www.bankingsupervision.europa.eu/press/supervisory-newsletters/newsletter/2024/html/ssm.nl241113_4.en.html.

Industry concerns also relate to the features requested in §162 of the EoVC (even with the risk mitigations requested in § 162-g to § 162-j). The features imply that the DRR will:

- be permanently accessible for allowed users;
- be a SaaS solution exposed on the internet;
- concentrate entities' most sensitive data with each user having the capacity for massive download;
- not have access totally within the control of the entity;
- be accessible by external users;
- potentially allow for propagation of sensitive data on an external IS not mastered by the entity; and
- contain a huge amount of data.

These elements in a data leakage scenario result in a very high residual risks level.

The industry has been strongly supporting regulatory initiatives to constantly improve the financial sector's capacities to protect sensitive data. The risks associated with the DRR functionalities therefore appear counterintuitive and make the banks vulnerable.

We also note it will be necessary for the IRTs to inform banks immediately of any personnel changes to ensure data confidentiality.

In a nutshell, the consultation raises concerns related to security of confidential, price-sensitive, and strategic information and threats in terms of economic intelligence. Making this extremely extensive set of information permanently available in a dedicated and centralised location could make it a major target of cyber attacks, and permanently shared access to the same would represent a strong risk of vulnerability. This does not improve resolvability and puts banks at risk. Both the sheer volume of sensitive data and the permanent external access to it generate significant risks.

Finally, we would like to reiterate concerns raised in earlier sections about the entities in scope. These concerns also apply to the DRR. It is disproportionate to require the RLE of an SPE to permanently maintain a DRR for the reasons previously set out in relation to the VDI; it should be sufficient that a bank confirms that it has capabilities to set up a DRR within a reasonable timeframe to be discussed with industry. We consider that other entities that present lower risks should also be excluded from this requirement in line with a proportionate, risk-based approach and streamlined approach to resolution planning.

Valuation playbooks

Q1 Are the requirements regarding the valuation self-assessment laid down in chapter 6.3 clear and understandable?

We consider these requirements to be clear overall. However, in line with our previous comments regarding entities in scope of the requirements, we propose that entities should be able to prepare playbooks based on proportionate and relevant information, based on the PRS.

Q2 Is the approach described in chapter 6.4 of the EoVC related to internal valuation models capabilities considered suitable for the purpose of valuation in resolution?

We do not have specific comments in relation to this question.

Q3 Considering the heterogeneity of the available internal models in scope of the EoVC, as described in chapter 6.4, what are the key documents that you consider relevant and necessary to support valuation in resolution and that should fall in scope of section 9.1 of the VDI?

We do not have specific comments in relation to this question.

Q4 In the context of resolvability testing, what is your perspective on assessing the capabilities of internal valuation models? Specifically, would it be practical to conduct a walkthrough or dry-run exercise demonstrating to IRTs the process of running models to produce fair values?

We do not have specific comments in relation to this question.

Implementation timeline

Q1 Is the proposed implementation timeline feasible?

Reflecting the level of change in the new approach and the breadth of the new requirements, AFME's members consider the proposed implementation timeline very challenging with very limited value with regards to resolvability.

Given the significant changes that will be introduced by the IReF project on statistical and prudential reporting, and the timetable envisaged for its implementation, the timetable envisaged by the SRB for the EoVC poses a high risk to banks of having to once again devote significant resources beyond 2028 to adapt their EoVC capabilities. Banks should be given the possibility to adapt their EoVC work programme and capabilities as the IReF requirements and timelines will become clearer.

In addition, a review of the proposals should consider phasing out the VDS 2020 in parallel should any proposals be taken forward. As an example, in case of EoVC phase-in, the Tax section of VDI would be required in 2026, and we suggest that a bank should not need to produce DTA dataset of VDS 2020 anymore. Similarly, in case new Loans and off-balance datasets will be required in 2027, a bank should not be required to produce related VDS 2020 datasets anymore.

Maintaining two separate processes in parallel - VDS 2020 for ad hoc requests and the new VDI/VDS for EoVC implementation - would result in a duplication of operational effort, particularly in terms of data governance, system configuration, quality assurance, internal control and data certification. Phasing out the VDS 2020 if any proposals are taken forward would allow institutions to focus resources on building robust, forward-looking capabilities, without splitting efforts across legacy and future-state requirements. We would be grateful if the SRB/IRT could evaluate a clear timeline and conditions for retiring the VDS 2020 requirement.

Industry would also welcome confirmation that the SRB does not intend to carry out testing in the first five years that the EoVC apply (to the extent any proposals are taken forward).

Finally, we would question whether other upcoming regulatory developments, notably in relation to the Crisis Management and Deposit Insurance framework review may impact the requirements. We would encourage the SRB to consider this if it hasn't already, in order to support future-proofing.

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