

23rd May 2025

The European Banking Authority
20 Avenue André Prothin
92400 Courbevoie
France

Subject: Draft Implementing Technical Standards amending Commission Implementing Regulation (EU) 2016/2070 with regard to benchmarking of internal models¹

The International Swaps and Derivatives Association ('ISDA') and the Association for Financial Markets in Europe ('AFME'), the 'Joint Associations' and their members ('the Industry') welcome the opportunity to comment on the European Banking Authority's ('EBA') Consultation on ITS amending Commission Implementing Regulation EU 2016-2070 on Benchmarking.

Market Risk

The Industry reiterates the point raised in the consultation response last year with respect to the significantly reduced participation in the Internal Models Approach ('IMA') Benchmarking post FRTB go-live. Whilst it welcomes the reduction in the number of portfolios for IMA firms to a maximum of 5, there are still concerns that the number of firms submitting data for specific portfolios could be lower than the number required to support a meaningful benchmarking exercise.

This would mean a large operational burden for the firms opting to implement FRTB IMA to support the benchmarking exercise with no results/feedback forthcoming. Given these concerns, the industry would suggest that the EBA take the approach in the consultation last year to start with have a stepwise approach in Asset Classes and start with IR and FX for 2026.

The industry notes the significant change in the scope of the EBA mandate to include FRTB Standardized Approach which will increase the participation from the current circa 40 to circa 100 firms. Most if not all the new firms will have little experience of the EBA benchmarking process and templates. This expansion presents a major operational challenge, particularly in terms of data handling, consistency, and supervisory workload. The industry would propose that this would be a strategic opportunity to deploy a proven solution such as ISDA's capital models benchmarking platform² (ISDA Analytics³), which can efficiently support this scale and enable the EBA to meet its expanded mandate with greater speed, quality, and cost-effectiveness.

¹ <https://www.eba.europa.eu/publications-and-media/press-releases/eba-consults-amending-data-collection-benchmarking-exercise>

² <https://www.isda.org/isda-solutions-infohub/isda-analytics/#:~:text=ISDA%20Analytics%E2%84%A2%20is%20a,adjustment%20risk%20consistently%20and%20accurately>

³ <https://perun.isda.org/>

ISDA Analytics has been used to support the benchmarking exercises across several jurisdictions in various operational formats tailored to meet specific supervisory needs. Supervisory authorities that have used ISDA Analytics have acknowledged the value-add proposition of the software that tangibly reduces the cost and resource burden of supervisory benchmarking. Whilst acknowledging that the EBA operates under legal and procedural constraints when processing supervisory data, the industry believes that a collaborative solution can be achieved that respects these constraints and delivers material value.

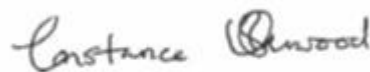
The industry would also recommend that greater detail is provided in all aspects of the HPE including SbM Valuation portfolios definitions of sensitivities, instrument booking details, and all templates to minimize the possibility of errors and deterioration in the data quality of the results.

Finally, the industry welcomes recognition from the EBA of the diminishing returns observed from the execution of SBM Validation portfolios recurring on a year-on-year basis. As a result, we reiterate the point from the consultation last year that the ITS could be updated to allow for bilateral consultation with the relevant supervisory team to assess if a firm is required to submit validation portfolio results given what they have submitted in previous benchmarking rounds.

We thank you in advance for your consideration and please do not hesitate to contact the undersigned associations with questions.



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Market Risk

MR Q1:

Do you see any issues or any missing information that should be required in the new templates suggested for the AIMA FRTB benchmarking exercise (i.e. Annex 6 & 7)?

Response:

Template 108 requires 10d P&Ls and references 130.05. However, template 130.05 requires 1d P&Ls. This discrepancy should be reviewed and resolved.

MR Q2: Do you see any issues with the reduced subset of instruments proposed for the AIMA exercise? Please elaborate?

Response:

Whilst the industry welcomes the reduced scope that the EBA is proposing for the HPE portfolios and instruments for the AIMA exercise, it would like to restate point raised in the consultation response last year that the significantly reduced participation AIMA Benchmarking post FRTB go-live could be lower than the number required to support a meaningful benchmarking exercise and production of results.

Furthermore, given the large operational burden for the firms opting to support the AIMA benchmarking exercise with the likely probability of no results/feedback forthcoming the industry would suggest that the EBA take the approach in the consultation last year to start with have a stepwise approach in Asset Classes and start with IR and FX for 2026.

The industry would like to point out that in the reduced set that has been proposed there are instruments that contain non-standard features as well as otherwise problematic trades. Specifically in the Interest Rate Asset Class instrument 204 has shown higher volatility in the past benchmarking results compared to other IR instruments and instrument 205 is a non-standard instrument. The industry would propose removing non-standard instruments from the definition and replacing with a more vanilla instrument, e.g. instrument 207 long German Government bond instrument. In the FX asset class instrument 303 a cash position has very little value as a standalone portfolio.

MR Q3: Do you see any issues with the new template 106.02? Please elaborate.

Response:

The portfolios are defined in Annex X of last years' exercise. With new banks entering the scope we propose Annex X to be republished.

There are inconsistencies in the definition of portfolios as published last year which should be reviewed and resolved. These include

- Portfolios F007 & F023 both contain instrument "S_FXD_e1#", however there is no such instrument identifier on the "Instruments".
- Inconsistent approach in definition of curvature sensitivity inputs, e.g. Portfolio C080 is defined referencing the identifiers of 2 S_CMC_a1# input sensitivities (up and down), whereas C062 only references 1 S_CMC_a1# input identifier. In this case it is unclear which should be taken, or if the net value be used or if is this a typo. The definition should be consistent, clear and easy to interpret.

Finally, the industry would like the EBA to clarify the scope of SBM Validation portfolios that a firm is required to submit is restricted to those risk classes and risk components that align to the scope of the firms' implementation and approved mandates.

MR Q4: Do you see any issues with specifying the specified timeline in the Annex 5 or with the reference date for new ASA institution in the exercise as defined in the suggested draft of Article 4.1.(b)?

Response:

We propose more time is given between reference dates and remittance dates for all parts of the exercise. As a result of the change in mandate the exercise will be new for all participating firms, either new ASA benchmarking firms or firms benchmarking FRTB-IMA for the first time, and so greater time is required to support internal validation steps.

The time between first reference date and remittance date should remain as per the 2025 exercise as three weeks, not the proposed two weeks.

We would propose that the time between (last) reference date and remittance date is increased to 2 months.

We would also propose that the submission of SBM validation portfolios is not aligned to the submission of IMV results. Our preference would be to keep the submission as it is currently aligned to the date of the full results, or as near as possible to that.

MR Q5: Do you see any issues with the changes introduced in the Annex 5?

Response:

The current scope definition allows for interpretation and requires more guidance.

The scope is defined via approved IMA desks, cf. below. We seek for guidance whether this considers PLAT results. In other words, the approval could change over time. In such case we propose to assess approval at a particular date, e.g. IMV reference date and keep the scope fixed afterwards.

‘Institutions in the scope of the ASA submission shall report solely instrument that are not forbidden to trade by internal policy decision or trading system limitations, and Institutions in the scope of the AIMA submission shall report solely instruments that are not forbidden to trade by internal policy decision or trading system limitations and are traded on an **AIMA approved desks.**’

MR Q6: Would you consider it useful to clarify the type of SOFR rate (term, compound) to be used when booking related interest rate instruments? If so, please suggest a clarification.

Response:

We are supportive of further clarifications and propose to align with industry best practice, i.e. using “overnight SOFR, daily compounded”. This would be useful given the increase in scope of participating firms who are inexperienced in the benchmarking exercise and therefore the greater clarity provided in the definition of the HPE instruments the less likely to see variation from benchmarking process errors coming from booking differences.

Credit Risk

CR Q1: Do you think that the proposed approach aimed at including the breakdown B.6.3 is correct and it enables to avoid any double counting of the exposures?

Response:

We would like the EBA to clarify the historical default rate / loss rate of the last 5 years for exposure classes where a change of approach has been experienced during that specific period (A-IRB to F-IRB, for instance). In these specific cases, we consider that a reasonable option in order to avoid excessively burdensome criteria on changes of approach already authorized by the ECB, would be to allow banks to report only the period of time during which the new approach has been applied. Can the EBA confirm this approach is valid.