

Consultation paper on Draft ITS implementing CRR3 changes to Pillar 3 disclosures – Operational Risk

Public hearing - 20 March 2024



Guidance for participants

- Please note that microphones are muted on entry. Kindly keep yourself muted during the presentation.
- Do not start your camera if you are not the speaker. To increase audio quality please turn off video streaming.
- If you would like to intervene during the Q&A session, please:
 - Raise your hand on Teams and when the floor is given to you, switch on your camera if possible, identify yourself by providing your full name (unless already used in Teams) and name of your organisation.
 - Or indicate in the Teams chat your name and on which topic you'd like to intervene or write your question / comment directly in
- In case of technical issues with Teams:
 - Log out and log in again;
 - If that still does not solve your issue, you can try dialing in via phone through one of the local access numbers provided in the invitation or send an email to meetings@eba.europa.eu.

Contents

- 1 Welcome and introduction
- 2 Draft ITS implementing CRR3 changes to supervisory reporting on operational risk
- 3 Draft ITS implementing CRR3 changes to Pillar 3 disclosures on operational risk



01

Welcome and introduction

Operational risk – Disclosures

1. Welcome and introduction (1)

Objectives of the Public Hearing

- Introduce the [main changes to the supervisory reporting and Pillar 3 framework on operational risk](#) under consultation until 30 April and main aspects on which feedback would be welcomed.
- Presentation of the planned next steps.
- Collection of early feedback. To note, the public hearing does not replace written responses to the Consultation Paper.
- Discussion of questions from participants.

EBA CRR3 Roadmap – Reporting and Disclosures

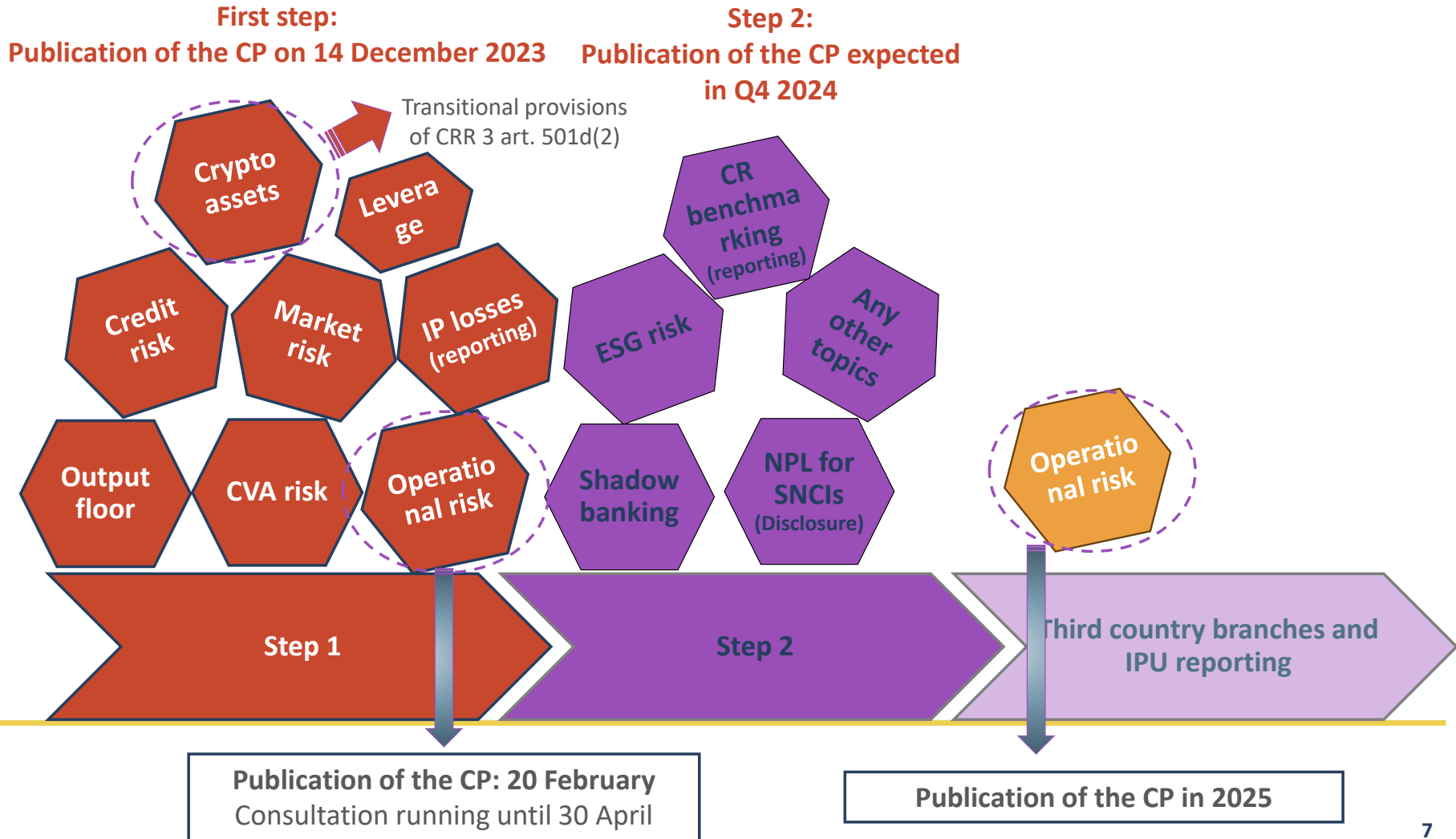
[EBA Roadmap on Strengthening the Prudential Framework](#)

- **Phase 1 - Step 1:**
 - Supervisory reporting ITS and Pillar 3 disclosures ITS: credit risk; output floor; CVA risks; market risk; leverage ratio; exposures to crypto-assets and **operational risk**.
 - Pillar 3 Data Hub (P3DH).
 - ITS on IT solutions for P3DH.
- **Phase 1 - Step 2:**
 - Supervisory reporting ITS and Pillar 3 disclosures ITS: ESG related risks; disclosure of non-performing and forborne exposures for SNCIs; supervisory benchmarking credit risk; shadow banking; other.
 - ITS on resubmission policy for P3DH.
 - Reporting by Third Country Branches, IPU reporting (extended timeline)
- **Phase 3:** P3DH feasibility study for large and other institutions.

1. Welcome and introduction (2)

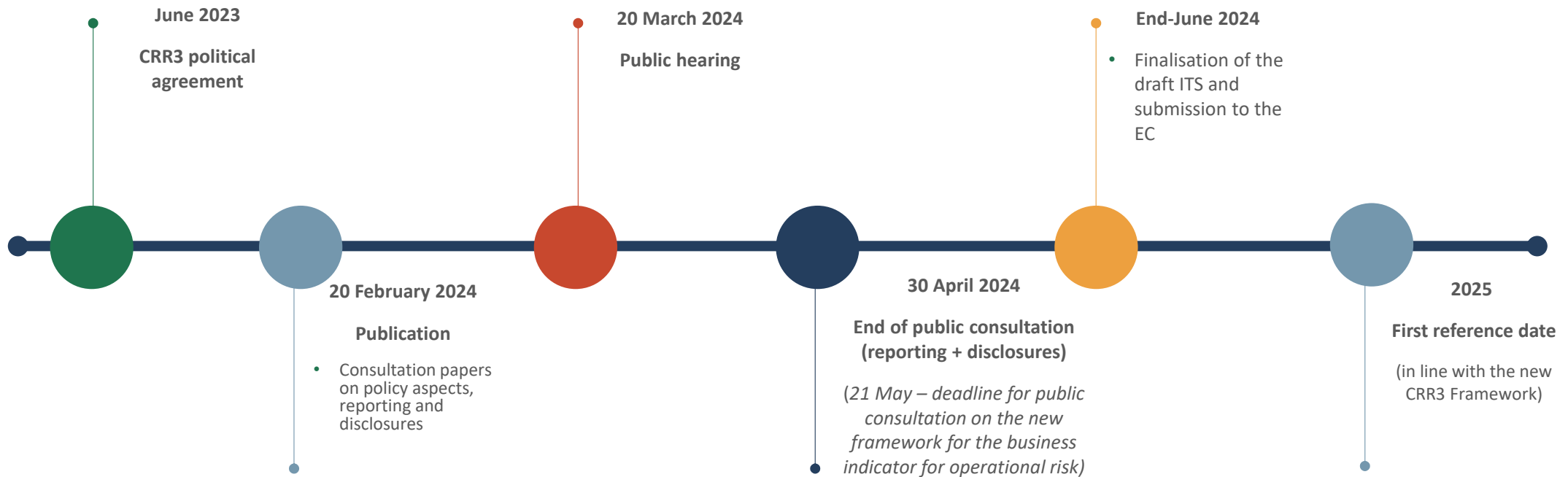
- The banking package will implement the latest Basel III reforms with the application date of 1 January 2025.
- The CPs are based on the text of the Provisional agreement reached on the implementation of Basel III reforms published on the Council's website on 6 December 2023
- New adoption process as per Article 434a(1) as amended by the CRR3: ITS on Pillar 3 disclosures will be published in the Official Journal. Templates and instructions will be published on the EBA website as part of the ITS-related IT tools.

1. Welcome and introduction (3)



1. Welcome and introduction (4)

Timeline



02

Draft ITS implementing CRR3 changes to supervisory reporting

Operational risk



Legal text – overview - Own Funds requirements

Current approach for calculation of own funds requirements for operational risk

3 approaches:

1. BIA – Basic indicator approach
2. TSA/ASA Standardised/Alternative standardized approach
3. AMA Advanced measurement approaches

C 16.00 - OPERATIONAL RISK (OPS)									
BANKING ACTIVITY	RELEVANT OPERATIONAL RISK			TOTAL OWN FUNDS REQUIREMENT			AND INFORMATION POINTS TO BE REPORTED BY INSTITUTIONS		
	YEAR 1	YEAR 2	YEAR 3	YEAR 1	YEAR 2	YEAR 3	1. Total operational risk capital requirement	2. Total operational risk capital requirement for each of the three years	3. Allocation of own funds requirements for each of the three years
1. BANKING ACTIVITIES SUBJECT TO THE OPERATIONAL RISK (OPS) REQUIREMENT									
2. BANKING ACTIVITIES SUBJECT TO THE OPERATIONAL RISK (OPS) REQUIREMENT									
3. BANKING ACTIVITIES SUBJECT TO THE OPERATIONAL RISK (OPS) REQUIREMENT									
4. BANKING ACTIVITIES SUBJECT TO THE OPERATIONAL RISK (OPS) REQUIREMENT									
5. BANKING ACTIVITIES SUBJECT TO THE OPERATIONAL RISK (OPS) REQUIREMENT									
6. BANKING ACTIVITIES SUBJECT TO THE OPERATIONAL RISK (OPS) REQUIREMENT									
7. BANKING ACTIVITIES SUBJECT TO THE OPERATIONAL RISK (OPS) REQUIREMENT									
8. BANKING ACTIVITIES SUBJECT TO THE OPERATIONAL RISK (OPS) REQUIREMENT									
9. BANKING ACTIVITIES SUBJECT TO THE OPERATIONAL RISK (OPS) REQUIREMENT									
10. BANKING ACTIVITIES SUBJECT TO THE OPERATIONAL RISK (OPS) REQUIREMENT									
11. BANKING ACTIVITIES SUBJECT TO THE OPERATIONAL RISK (OPS) REQUIREMENT									
12. BANKING ACTIVITIES SUBJECT TO THE OPERATIONAL RISK (OPS) REQUIREMENT									
13. BANKING ACTIVITIES SUBJECT TO THE OPERATIONAL RISK (OPS) REQUIREMENT									
14. BANKING ACTIVITIES SUBJECT TO THE OPERATIONAL RISK (OPS) REQUIREMENT									
15. BANKING ACTIVITIES SUBJECT TO THE OPERATIONAL RISK (OPS) REQUIREMENT									
16. BANKING ACTIVITIES SUBJECT TO THE OPERATIONAL RISK (OPS) REQUIREMENT									
17. BANKING ACTIVITIES SUBJECT TO THE OPERATIONAL RISK (OPS) REQUIREMENT									
18. BANKING ACTIVITIES SUBJECT TO THE OPERATIONAL RISK (OPS) REQUIREMENT									
19. BANKING ACTIVITIES SUBJECT TO THE OPERATIONAL RISK (OPS) REQUIREMENT									
20. BANKING ACTIVITIES SUBJECT TO THE OPERATIONAL RISK (OPS) REQUIREMENT									

Template C 16.00 information on operational risk capital requirements

CRR3 proposal for calculation of own funds requirements for operational risk (Art. 312)

One single approach: The Business indicator component (BIC) (Art. 313)

$$BIC = \begin{cases} 0.12 \cdot BI, & \text{where } BI \leq 1 \\ 0.12 + 0.15 \cdot (BI - 1), & \text{where } 1 < BI \leq 30 \\ 4.47 + 0.18 \cdot (BI - 30), & \text{where } BI > 30 \end{cases}$$

Business indicator (Art. 314)

Business indicator component- Art 313

! Template 16.00 will be decommissioned and new templates have been developed

! Templates 17.01 17.02 will also be affected in terms of scope of institutions

Legal text – overview - CRR3 Operational Risk



Chapter 1
Calculation of own funds requirements for operational risk **Articles 312 to Article 315**

EBA policy mandates

Art	para	Mandate	Topic
314	6	RTS	Components of the BI, excluded items from BI
	7	ITS	Mapping to supervisory reporting
315	3	RTS	Mergers and acquisitions

Chapter 2 Data collection and governance
Article 316 to Article 323

Art	para	Mandate	Topic
316	3	RTS	Calculation of aggregated losses above 750k and unduly burdensome
317	9	RTS	Risk taxonomy
320	3	RTS	Exclusion of losses
321	2	RTS	Adjustments to the loss dataset

Operational risk supervisory reporting

New reporting requirements

Reporting templates	Frequency	Scope of institutions	Expected 1 st reference date
C 16.01 to C 16.03	quarterly	All institutions, Ind and Con	March 2025 (calc. based on financial year end data 2024, 2023, 2022)
C 16.04	quarterly	Info at Subsidiary level	

Under consultation

For an interim period, maintain the same reporting

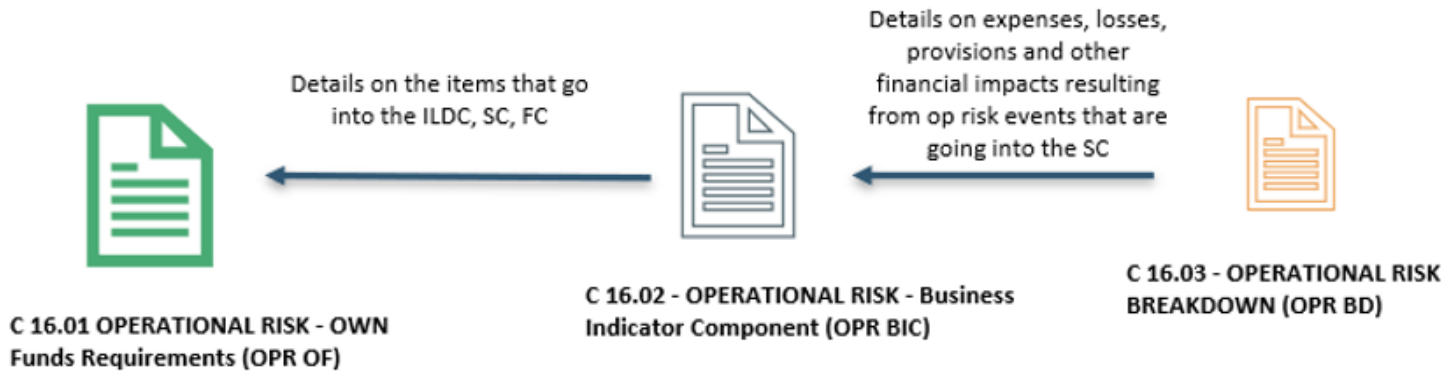
Reporting templates*	Frequency	Scope of institutions
C 17.01, C 17.02	Semi-annually	Same scope as in dec 2024, Ind and Con

* Minor amendments in instructions to align with the CRR3 text

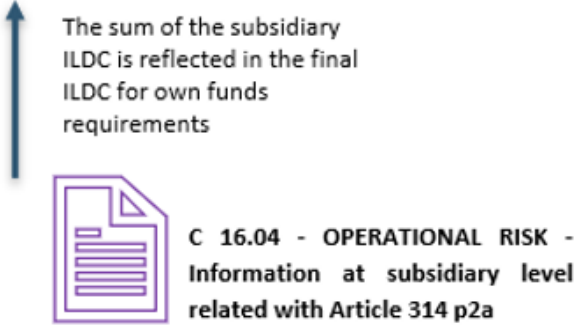
In development (consultation expected in 2024/2025)

! New/amended templates for Operational risk losses will be developed in 2025

Proposed template to cover information on own funds requirements calculation



Art. 314 (1)
 $BI=ILDC+SC+FC$



Art 314.p2a

“By way of derogation from paragraph 2, an EU parent institution may, until 31 December 2027, request permission from its consolidating supervisor to *calculate a separate interest, leases and dividend component for any of its specific subsidiary institutions and sum the outcome of this calculation with the interest leases and dividend component calculated, on a consolidated basis, for the other entities of the group*” where certain conditions are met [...]

C 16.02. – calculations for the Business indicator component

Art. 314 (2)
 $ILDC = \min(IC, 0.0225 * AC) + DC$

Art. 314 (3)
 $SC = \max(OI, OE) + \max(FI, FE)$

!!Detailed breakdowns are not shown on this slide; yearly details are just for the sub-items (please see the templates)

Art 314 (2a)

Art 314 (2b)

[...] continue to use the **Alternative Standardised Approach** as it stood prior to [OP please insert the date of entry into force of this amending Regulation] for the purpose of calculating the own funds requirements for operational risk *relating to these two business lines* and according to the scope subject to the current permission.

		YEAR-3	YEAR-2	LAST YEAR	
		Accounting Value	Accounting Value	Accounting Value	Average Value
		0010	0020	0050	0070
0010 - 0240	1. Interest, leases and dividend component (ILDC) (excluding entities considered by Article 314(2a) or the business lines considered by Article 314(2b))				
0010	Interest component				
0140	Asset component				
0230	Dividend component				
0250 - 0390	2. Services component (SC)				
0250	Other operating income				
0290	(Other operating expenses)				
0340	Fee and commission income				
0370	(Fee and commission expenses)				

Art. 314(3)[...], institutions that are members of an institutional protection scheme meeting the requirements of Article 113(7) may calculate the SC net of any income received from or expenses paid to institutions, that are members of the same institutional protection scheme.

C 16.02. – calculations for the Business indicator component (cont.)

!Institutions should also report the values in accordance with the accounting approach.



Institutions applying the Prudential Boundary Approach (PBA), will report the values for the sub-items in accordance with the PBA.

When institutions apply the PBA, the values based on the PBA are used instead of the accounting ones when calculating the trading/banking book components



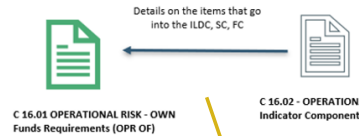
		YEAR-3		YEAR-2		LAST YEAR		Average Value
		Accounting Value	Value - Prudential Boundary Approach	Accounting Value	Value - Prudential Boundary Approach	Accounting Value	Value - Prudential Boundary Approach	
		0010	0020	0030	0040	0050	0060	0070
0400 - 0510	3. Financial component (FC)							
0400	Trading book component							
0410	Net profit or loss applicable to trading book							
0450	Banking book component							
0460	Net profit or loss applicable to banking book							

!!Detailed breakdowns are not shown on this slide

C 16.01 operational risk – own funds requirements

$$BIC = \begin{cases} 0.12 \cdot BI, & \text{where } BI \leq 1 \\ 0.12 + 0.15 \cdot (BI - 1), & \text{where } 1 < BI \leq 30 \\ 4.47 + 0.18 \cdot (BI - 30), & \text{where } BI > 30 \end{cases}$$

$$BI = ILDC + SC + FC$$



	Value	of which: adjustments due to merge/acquisition of entities or activities		Own fund requirements	Risk exposure amount
		0020	(Adjustments due to disposal of entities or activities) 0030		
0010	Business indicator component			0040	0050 =12,5 * (r0010, c0040) (value reported in CA)
0020	Business indicator	= sum(0030, 0080, 0090)	= sum(0030, 0080, 0090)		
0030	Interest, leases and dividend component	= sum(0040, 0050, 0060, 0070)			
0040	ILDC related to the individual institution/consolidated Group (excluding entities considered by Article 314(2a) and/or the business lines considered by Article 314(2b) where applicable)	=min({C16.02, r0010, c0070}; 0,0225*{C16.02, r0140,c0070})+ {C16.02, r0230,c070}			
0050	ILDC for entities considered by Article 314(2a)	=sum(C 16.04,rNNN,c0030)			
0060	ILDC for the business lines considered by Article 314(2b) (Retail banking)				
0070	ILDC for the business lines considered by Article 314(2b) (Commercial banking)				
0080	Services component	=max((C16.02, r0250, c0070); (C16.02, r0290, c0070))+max((C16.02, r0340, c0070); (C16.02, r0370, c0070))			
0090	Financial component	=(C16.02, r0400, c0070) + (C16.02, r0450, c0070)			
0100	Memorandum Item: ILDC related to the Individual institution/consolidated Group (including entities considered by Article 314(2a) and/or including the business lines considered by Article 314(2b))				



C 16.04 - OPERATIONAL RISK - Information at subsidiary level related with Article 314 p2a

Overview of the questions for consultation

Question 1: Are the instructions and templates clear to the respondents?

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

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

Question 4 - Cost of compliance with the reporting requirements: Is or are there any element(s) of this proposal for new and amended reporting requirements that you expect to trigger a particularly high, or in your view disproportionate, effort or cost of compliance?

Question 5 - Do you agree that proposed instructions and templates reflect in this draft CP cover all the clarifications needed from existing Q&As on operational risk reporting and those Q&As should be archived (as explained in Section 3.3)? If not, please refer to the Q&A number when explaining.



03

Draft ITS implementing CRR3 changes to Pillar 3 disclosures

Operational risk – Disclosures

3. Introduction

General approach followed in developing the draft Pillar 3 ITS

- ✓ Consistency with BCBS Pillar 3 standards
- ✓ Use of fixed templates and flexible tables
- ✓ Alignment with the CRR 3 reporting work to ensure the integration -> MAPPING TOOL updated
- ✓ Proportionality principle implicit in the CRR (articles 433a, 433b, 433c)

3. Overview of the proposed changes to Pillar 3 disclosures

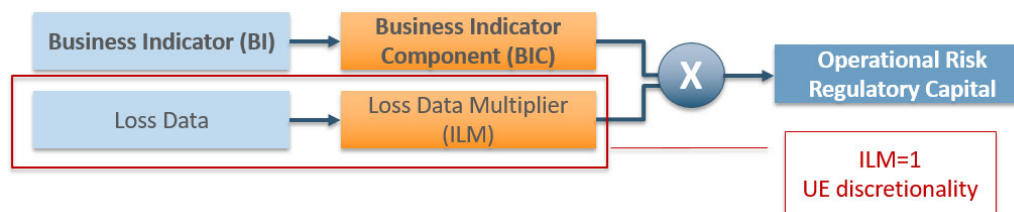
Current approach for calculation of own funds requirements for operational risk

Three approaches:

1. BIA – Basic indicator approach
2. TSA/ASA Standardised/Alternative standardized approach
3. AMA Advanced Measurement Approaches

CRR3 proposal for calculation of own funds requirements for operational risk (Art. 312)

One single approach: Business indicator component (BIC)



$$BIC = \begin{cases} 0.12 \cdot BI, & \text{where } BI \leq 1 \\ 0.12 + 0.15 \cdot (BI - 1), & \text{where } 1 < BI \leq 30 \\ 4.47 + 0.18 \cdot (BI - 30), & \text{where } BI > 30 \end{cases}$$

Pillar 3 Disclosures

Pillar 3 Disclosures:

- Qualitative information
- Quantitative information on the relevant indicator and capital per approach

Pillar 3 Disclosures:

- Qualitative information
- Quantitative information on the relevant indicator, capital requirements and losses

3. Overview of the proposed changes to Pillar 3 disclosures

CRR3 Article	Disclosure requirement for Operational Risk
Art. 446, para.1 point a	Main characteristics and elements of their operational risk management framework.
Art. 446, para. 1 point b	Own funds requirement for operational risk equal to the business indicator component.
Art. 446, para.1 point d	Business indicator and the amounts of each of the business indicator component and their sub-components for each of the three years relevant for the calculation of the business indicator.
Art. 446, para.1 point e	Amount of the reduction of the business indicator for each exclusion from the business indicator, as well as the corresponding justification for such exclusion.
Art. 446, para.2 point a	Annual operational risk losses for each of the last ten years, for the different collection thresholds.
Art. 446, para.2 point b	Number of exceptional operational risk events and amounts of the corresponding aggregated net operational risk losses excluded, for each of the last ten years and the corresponding justifications for exclusions.

3. Overview of the proposed changes to Pillar 3 disclosures

CRR2: 2 P3 templates (EU ORA & EU OR1)

CRR3: 4 Pillar 3 templates

Table EU ORA: Qualitative Information

Legal basis	Row	Qualitative information - Free format
Points (a), (b), (c)	(a)	Disclosure of the risk management objectives and
Article 446 CRR	(b)	Disclosure of the approaches for the assessment of minimum own funds requirements
Article 446 CRR	(c)	Description of the AMA methodology approach used (if applicable)
Article 454 CRR	(d)	Disclose the use of insurance for risk mitigation in the Advanced Measurement Approach (if applicable)

Broken down for more clarity

Table EU ORA: Qualitative Information on operational risk

Legal basis	Row number	Qualitative information - Free format
Article 446(1)(a) and Article 435(1)(a) CRR	(a)	Disclosure of the risk management objectives and policies
Article 446(1)(a) and Article 435(1) (b) CRR	(b)	Disclosure of the structure and organisation of the operational risk management function
Article 446(1)(a) and Article 435(1) (c) CRR	(c)	Description of the scope and nature of the measurement system
Article 446(1)(a) and Article 435(1) (c) CRR	(d)	Description of the scope and nature of the operational risk reporting framework
Article 446(1)(a) and Article 435(1) (d) CRR	(e)	Description of the policies and strategies of the risk mitigation and risk hedge

Disappears, just one approach

Template EU OR1: Quantitative Information

Banking activities	Relevant indicator			Own funds requirements	Risk exposure amount
	a	b	c		
	Year-3	Year-2	Last year		
1 Banking activities subject to basic indicator approach (BIA)					
2 Banking activities subject to standardised (TSA) / alternative standardised (ASA)					
3 <i>Subject to TSA:</i>					
4 <i>Subject to ASA:</i>					
5 Banking activities subject to advanced measurement approaches AMA					

Template EU OR3: Operational risk own funds requirements and risk exposure amounts

		a
1	Business Indicator Component (BIC)	
2	Internal Loss Multiplier (ILM)	1
3	Minimum Required Operational Risk Own Funds Requirements (OROF)	
4	Operational Risk Exposure Amounts (REA)	

Merged, just one approach

Template EU OR2: Business Indicator, components and subcomponents

Template EU OR1: Operational Risk Losses

New

3. Overview of the proposed changes to Pillar 3 disclosures

CRR2: Information on Relevant Indicator

Template EU OR1: Quantitative Information

Banking activities	a	b	c
	Relevant indicator		
	Year-3	Year-2	Last year
1 Banking activities subject to basic indicator approach (BIA)			
2 Banking activities subject to standardised (TSA) / alternative standardised (ASA)			
3 <i>Subject to TSA:</i>			
4 <i>Subject to ASA:</i>			
5 Banking activities subject to advanced measurement approaches AMA			

Merged, just one approach

CRR3: Information on Business Indicator

Template EU OR2: Business Indicator, components and subcomponents

		a	b	c	d
	BI and its subcomponents	T	T-1	T-2	Average value
1	Interest, lease and dividend component (ILDC)				
EU 1	ILDC related to the individual institution/consolidated Group (excluding entities considered by Article 314(2a) and/or the business lines considered by Article 314(2b) where applicable)				
1a	Interest and lease income				
1b	Interest and lease expense				
1c	Total assets/Asset component				
1d	Dividend income/Dividend component				
2	Services component (SC)				
2a	Fee and commission income				
2b	Fee and commission expense				
2c	Other operating income				
2d	Other operating expense				
EU 2e	<i>Memorandum item:</i> Total losses, expenses, provisions and other financial impacts resulting from operational risk events				
3	Financial component (FC)				
3a	Net profit or loss applicable to trading book (TB)				
3b	Net profit or loss applicable to banking book (BB)				
EU 3c	Approach followed to determine the TB/BB boundary (PBA or accounting approach)				
4	Business Indicator (BI)				
5	Business indicator component (BIC)				

Disclosure on the BI:

	a
6a	BI gross of excluded divested activities
6b	Reduction in BI due to excluded divested activities
EU 6c	Impact in BI of mergers/acquisitions

$$BI = ILDC + SC + FC$$

- Information on the BI will be provided as well for the **3 years** relevant for its calculation
- Information on **each component and subcomponent**
- BIC, based on the BI
- Information on the reduction of the BI due to **exclusions** and the corresponding justifications
- Trading book / Banking book:** proposal to disclose only the amounts used in the calculation. For reporting purposes, both amounts will be collected (PBA or accounting approach).

3. Overview of the proposed changes to Pillar 3 disclosures

CRR2: Information on Operational Risk Losses



CRR3: Information on Operational Risk Losses

Template EU OR1: Operational Risk Losses

- Information on OpRisk losses, for the last 10 years, different collection **thresholds**
- Total amount and number of losses, net of recoveries and exclusion**
- Justification for the exclusions

Operational Risk Reporting will be available at a later stage

STEP 1 Implement **high level changes** to account for the main changes brought by the CRR3.

STEP 2 Adjust the reporting framework in line with the developments on the policy side.

Not a problem, since:

- Losses not used for OpRisk capital (ILM=1)
- OpRisk reporting provide some basic information on losses

	a	b	c	d	e	f	g	h	i	j	k
	T	T-1	T-2	T-3	T-4	T-5	T-6	T-7	T-8	T-9	Ten-year average
Using €20,000 threshold											
1	Total amount of operational risk losses net of recoveries (no exclusions)										
2	Total number of operational risk losses										
3	Total amount of excluded operational risk losses										
4	Total number of excluded operational risk events										
5	Total amount of operational risk losses net of recoveries and net of excluded losses										
Using €100,000 threshold											
6	Total amount of operational risk losses net of recoveries (no exclusions)										
7	Total number of operational risk losses										
8	Total amount of excluded operational risk losses										
9	Total number of excluded operational risk events										
10	Total amount of operational risk losses net of recoveries and net of excluded losses										
Details of operational risk capital calculation											
11	not applicable										
12	not applicable										
13	not applicable										

3. Overview of the questions for consultation

- **Question 1:** Are the amended/new templates EU ORA, EU OR1, EU OR2 and EU OR3 and the related instructions clear to the respondents? If no, please motivate your response.
- **Question 2:** Do the respondents identify any discrepancies between these templates and related instructions and the calculation of the requirements set out in the underlying regulation?
- **Question 3:** Do the respondents agree that the amended draft ITS fits the purpose of the underlying regulation?
- **Question 4:** Do the respondents consider that the “mapping tool” appropriately reflects the mapping of the quantitative disclosure templates with supervisory reporting templates?

Q&As



Thank you!



Floor 24-27, Tour Europlaza
20 Avenue André Prothin
92400 Courbevoie, France

Tel: +33 1 86 52 70 00
E-mail: info@eba.europa.eu

<https://eba.europa.eu/>