EBA/GL/2018/01

12/01/2018

Final report

Guidelines on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 as regards the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds

Contents

1. Executive summary

On 22 November 2016, the International Financial Reporting Standard 9, 'Financial Instruments' (IFRS 9), was adopted in the EU to replace the previous accounting standard, i.e. International Accounting Standard 39, 'Financial Instruments: Recognition and Measurement' (IAS 39). On 12 December 2017, the EU adopted Regulation (EU) No 2017/2395 of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for the large exposures treatment of certain public sector exposures denominated in the domestic currency of any Member State (the 'new Regulation'). The new Regulation inserts a new Article 473a in the CRR, which includes provisions on transitional arrangements for the introduction of IFRS 9 and IFRS 9-like expected credit loss models (analogous ECLs[1]), in order to mitigate the impact of the impairment requirements resulting from IFRS 9 on capital and leverage ratios.

Article 473a of the CRR requires institutions that apply transitional arrangements for IFRS 9 and analogous ECLs to disclose the effect of these transitional arrangements on own funds, risk-based-capital ratio and leverage ratio. In particular, these institutions are required to disclose the amount of own funds, the amount of Common Equity Tier 1 capital, the amount of Tier 1 capital, the Common Equity Tier 1 capital ratio, the Tier 1 capital ratio, the total capital ratio and the leverage ratio with and without the application of the transitional arrangements.

Finally, paragraph 10 of Article 473a of the CRR also includes a mandate for the EBA to issue guidelines on disclosure requirements in relation to transitional arrangements for IFRS 9 or analogous ECLs. It is on the basis of this mandate that the EBA has drafted these guidelines, which specify a uniform disclosure format for the institutions' disclosure requirements on transitional arrangements for IFRS 9 or analogous ECLs, with the aim of achieving consistent and comparable disclosure among institutions.

Next steps

The guidelines will be published on the EBA website and translated into the official EU languages. The deadline for competent authorities to report whether they comply with the guidelines will be 2 months after the publication of the guidelines.

[1] 'Analogous ECLs' refers to expected credit loss models that are the same as those used in accounting standards adopted in accordance with the procedure laid down in Article 6(2) of Regulation (EC) No 1606/2002.

2. Background and rationale

On the basis of the 'new Regulation', which inserts a new article, Article 473a, into the CRR, institutions referred to in this Article will have the following options: they can phase in the impact of the implementation of IFRS 9 or analogous ECLs on capital and leverage ratios or they can recognise the full impact of IFRS 9 or analogous ECLs on capital and leverage ratios from 1 January 2018 or before the end of the transitional period. In order to achieve consistency in institutions' Pillar 3 disclosures regarding capital and leverage ratios, the EU institutions have decided that proper, uniform and consistent disclosure of the impact of transitional arrangements for IFRS 9 or analogous ECLs on these prudential metrics will be key during the transitional period.

Therefore, new Article 473a of the CRR includes the requirement for institutions subject to IFRS 9 or an analogous ECLs framework and which apply the corresponding transitional arrangements to disclose, together with their actual own funds and their actual capital and leverage ratios, the value of these prudential metrics on an IFRS 9/analogous ECLs fully loaded basis, i.e. as if the transitional arrangements had not been applied. This disclosure is required in addition to the information that institutions are required to disclose under Part Eight of the CRR. The same Article also includes, in paragraph 10, a mandate for the EBA to issue guidelines on these disclosure requirements. These guidelines specify a uniform disclosure format to be applied by institutions in order to increase the consistency and comparability of the information disclosed during the transitional period.

In specifying the uniform disclosure format to be applied by institutions for the abovementioned purpose, the EBA has taken into account developments at the international level, with a view to implementing the new CRR requirement in a manner that is consistent with international standards and allows international comparisons. Therefore, these guidelines take into account the standard issued by the Basel Committee on Banking Supervision (BCBS) on 29 March 2017 on "Pillar 3 disclosure requirements – consolidated and enhanced framework".[2] This standard includes a disclosure template, with an implementation date of 1 January 2018, that provides users with information on the impact of the transitional arrangements for the implementation of expected credit loss accounting on banks' regulatory capital and leverage ratios.

[2] Which can be found here: http://www.bis.org/bcbs/publ/d400.htm

3. Guidelines

EBA/GL/2018/01

12/01/2018

Guidelines

on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds

1. Compliance and reporting obligations

Status of these guidelines

1. This document contains guidelines issued pursuant to Article 16 of Regulation (EU) No 1093/2010.[3] In accordance with Article 16(3) of Regulation (EU) No 1093/2010, competent authorities and financial institutions must make every effort to comply with the guidelines.

2. Guidelines set out the EBA's view of appropriate supervisory practices within the European System of Financial Supervision or of how Union law should be applied in a particular area. Competent authorities as defined in Article 4(2) of Regulation (EU) No 1093/2010 to whom guidelines apply should comply by incorporating them into their practices as appropriate (e.g. by amending their legal framework or their supervisory processes), including where guidelines are directed primarily at institutions.

Reporting requirements

3. In accordance with Article 16(3) of Regulation (EU) No 1093/2010, competent authorities must notify the EBA that they comply or intend to comply with these guidelines, or otherwise give reasons for non-compliance, by ([dd.mm.yyyy]). In the absence of any notification by this deadline, competent authorities will be considered by the EBA to be non-compliant. Notifications should be sent by submitting the form available on the EBA website to compliance@eba.europa.eu with the reference 'EBA/GL/2018/01'. Notifications should be submitted by persons with appropriate authority to report compliance on behalf of their competent authorities. Any change in the status of compliance must also be reported to the EBA.

4. Notifications will be published on the EBA website, in line with Article 16(3).

[3] Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC, (OJ L 331, 15.12.2010, p.12).

2. Subject matter, scope and definitions

Subject matter

5. These guidelines specify the uniform disclosure format in accordance with which the disclosures required under Article 473a of Regulation (EU) No 575/2013 (the 'CRR') should be made.

Scope of application

6. These guidelines apply to institutions referred to in paragraph 1 of Article 473a of the CRR that are subject to all or part of the disclosure requirements specified in Part Eight of the CRR in accordance with Articles 6, 10 and 13 of the CRR.

7. These guidelines apply during the transitional period referred to in paragraph 6 of Article 473a of the CRR.

Addressees

8. These guidelines are addressed to competent authorities as defined in points (i) to (ii) of Article 4(2) of Regulation (EU) No 1093/2010 and to financial institutions as defined in Article 4(1) of Regulation No 1093/2010.

Definitions

9. Unless otherwise specified, terms used and defined in Regulation (EU) No 575/2013 have the same meaning in the guidelines.

10. 'Analogous ECLs' refers to the expected credit loss models that are the same as those used in accounting standards adopted in accordance with the procedure laid down in Article 6(2) of Regulation (EC) No 1606/2002.

Date of application

11. These guidelines apply from 20 March 2018 until the end of the transitional period referred to in paragraph 6 of Article 473a of the CRR.

3. Format

12. Institutions that choose to apply Article 473a of the CRR should complete the quantitative template contained in Annex I, in accordance with the instructions included therein. Those institutions among those mentioned in paragraph 1 of Article 473a that choose not to apply Article 473a should disclose the narrative commentary indicated in Annex I, in accordance with the instructions included therein.

4. General requirements for disclosure

13. The EBA Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013 (EBA/GL/2016/11) are applicable, where relevant, to the uniform disclosure format specified in the current guidelines.

Annex I –Template on the comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs

Template IFRS 9-FL: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs

Purpose: Provide a comparison of the institutions' own funds, Common Equity Tier 1 capital, Tier 1 capital, risk-weighted assets, Common Equity Tier 1 capital ratio, Tier 1 capital ratio, total capital ratio and leverage ratio with and without the application of transitional arrangements for IFRS 9 or analogous ECLs. Only the transitional arrangements arising from the implementation of the IFRS 9 and analogous ECLS are considered in this template.

Scope of application: The quantitative template is mandatory for all institutions referred to in paragraph 1 of Article 473a that, pursuant to the first subparagraph of paragraph 9 of the same Article, choose to apply Article 473a of the CRR and are subject to all or part of the disclosure requirements specified in Part Eight of the CRR, during the transitional period specified in paragraph 6 of the same Article.

Those institutions referred to in paragraph 1 of Article 473a that are subject to all or part of the disclosure requirements specified in Part Eight of the CRR but, pursuant to the first subparagraph of paragraph 9 of the same Article, choose not to apply the transitional arrangements specified in Article 473a should instead disclose a narrative commentary explaining that they are not applying the transitional arrangements for IFRS 9 or analogous ECLs, any changes on that decision over the time and that their own funds, capital and leverage ratios already reflect the full impact of IFRS 9 or analogous ECLs.

Content: Regulatory own funds, risk-based capital ratios and leverage ratio compared with the same metrics as if they were not subject to the transitional arrangements for IFRS 9 or analogous ECLs. Institutions should disclose each metric's value at the end of the reporting period.

Frequency: Institutions should disclose this information with the frequency set in paragraphs 25, 26 and 27 of EBA GL/2014/14 as amended by EBA GL/2016/11 for the disclosure of information on own funds (paragraph 25.a), risk-weighted assets (paragraph 25.b.i.) and leverage ratio (paragraph 25.c).

Format: A fixed format for the quantitative template is mandatory for institutions that apply the IFRS 9 transitional arrangements. For institutions that do not apply the transitional arrangements, the format of the narrative commentary is flexible.

Accompanying narrative: Institutions applying the transitional arrangements should provide a narrative accompanying the quantitative template that explains the key elements of the transitional arrangements they use. Pursuant to the second subparagraph of paragraph 9 of Article 473a of the CRR, institutions should, in particular, provide explanations of all their choices regarding the options included in the same paragraph, including whether they are applying paragraph 4 of Article 473a or not, and on any changes on the application of these options. Institutions should also provide explanations of the changes to the prudential metrics included in the template due to the application of the transitional arrangements for IFRS 9 or analogous ECLs, where these changes are material.

Quantitative template						
		a	b	c	d	e
		T	T-1	T-2	T-3	T-4
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1) capital					
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied					
3	Tier 1 capital					
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied					
5	Total capital					
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied					
	Risk-weighted assets (amounts)					
7	Total risk-weighted assets					
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied					
	Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)					
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied					
11	Tier 1 (as a percentage of risk exposure amount)					
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied					
13	Total capital (as a percentage of risk exposure amount)					
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied					
	Leverage ratio					
15	Leverage ratio total exposure measure					
16	Leverage ratio					
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied					

Instructions

Row Number	Explanation
1	Amount of CET1 capital in accordance with the amount disclosed by institutions following the ITS on disclosure of own funds requirements[4] (row 29 of the 'Own funds disclosure template')
2	Amount of CET1 capital as if the amount of IFRS 9 or analogous ECLs transitional arrangements calculated in accordance with Article 473a of the CRR were not applied
3	Amount of Tier 1 capital in accordance with the amount disclosed by institutions following the ITS on disclosure of own funds requirements[4] (row 45 of the 'Own funds disclosure template')
4	Amount of Tier 1 capital as if the amount of IFRS 9 or analogous ECLs transitional arrangements calculated in accordance with Article 473a of the CRR were not applied.
5	Amount of total capital in accordance with the amount disclosed by institutions following the ITS on disclosure of own funds requirements[4] (row 59 of the 'Own funds disclosure template')
6	Amount of total capital as if the amount of IFRS 9 or analogous ECLs transitional arrangements calculated in accordance with

[4] COMMISSION IMPLEMENTING REGULATION (EU) No 1423/2013 of 20 December 2013 laying down implementing technical standards with regard to disclosure of own funds requirements for institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council (OJ L 355, 31.12.2013, 60).

Row Number	Explanation
	Article 473a of the CRR were not applied
7	Amount of total risk-weighted assets in accordance with the amount disclosed by institutions following the ITS on disclosure of own funds requirements[4] (row 60 of the 'Own funds disclosure template')
8	Amount of total risk-weighted assets as if the amount of IFRS 9 or analogous ECLs transitional arrangements calculated in accordance with Article 473a of the CRR were not applied
9	CET1 capital ratio in accordance with the value disclosed by institutions following the ITS on disclosure of own funds requirements[4] (row 61 of the 'Own funds disclosure template')
10	CET1 capital ratio as if IFRS 9 or analogous ECLs transitional arrangements calculated in accordance with Article 473a of the CRR were not applied[5]
11	Tier 1 capital ratio in accordance with the value disclosed by institutions following the ITS on disclosure of own funds requirements[4] (row 62 of the 'Own funds disclosure template')
12	Tier 1 capital ratio as if IFRS 9 or analogous ECLs transitional arrangements calculated in accordance with Article 473a of the CRR were not applied[5]
13	Total capital ratio in accordance with the value disclosed by institutions following the ITS on disclosure of own funds requirements[4] (row 63 of the 'Own funds disclosure template')
14	Total capital ratio as if IFRS 9 or analogous ECLs transitional arrangements calculated in accordance with Article 473a of the CRR were not applied[5]
15	Leverage ratio total exposure measure in accordance with the amount disclosed by institutions following the ITS on disclosure of leverage ratio[6] (row 21 of the table 'LRCom: Leverage ratio common disclosure')
16	Leverage ratio in accordance with the value disclosed by institutions following the ITS on disclosure of leverage ratio[6] (row 22 of the table 'LRCom: Leverage ratio common disclosure')
17	Leverage ratio calculated as if as if the amount of IFRS 9 or analogous ECLs transitional arrangements calculated in accordance with Article 473a of the CRR were not applied[5]
	Reporting periods
	Reporting periods T, T-1, T-2, T-3 and T-4 are defined as quarterly periods. Institutions should disclose the dates corresponding to the reporting periods. Institutions disclosing this template on a quarterly basis should provide data for periods T, T-1, T-2, T-3 and T-4; institutions disclosing this template on a semi-annual basis should provide data for periods T, T-2 and T-4; and institutions disclosing this template on an annual basis should provide data for periods T and T-4. The disclosure of data for previous periods is not required when data are disclosed for the first time. Information on previous periods is required only when the previous periods are later than the starting date of their first financial year starting on or after 1 January 2018.

[5] When disclosing this ratio, institutions should consider those transitional arrangements for IFRS 9 or analogous ECLs that have an impact both on the numerator and on the denominator.

[6] Commission Implementing Regulation (EU) 2016/200 of 15 February 2016 laying down implementing technical standards with regard to disclosure of the leverage ratio for institutions, according to Regulation (EU) No 575/2013 of the European Parliament and of the Council (OJ L 39, 16.2.2016, p. 5).

4. Accompanying documents

4.1 Draft cost-benefit analysis/impact assessment

Regulation (EU) No 2017/2395 of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for the large exposures treatment of certain public sector exposures denominated in the domestic currencies of any Member State introduces a new article, Article 473a into the CRR, which mandates the EBA to issue guidelines on the disclosure requirements in relation to IFRS 9 transitional arrangements.

As per Article 16(2) of the EBA Regulation (Regulation (EU) No 1093/2010 of the European Parliament and of the Council), any guidelines developed by the EBA shall be accompanied by an assessment annex that analyses 'the potential related costs and benefits'. This annex should provide the reader with an overview of the findings as regards the problem identification, the options identified to remove the problem and their potential impacts.

This section presents an impact assessment and cost-benefit analysis of the policy options taken into account in drafting these guidelines. Given the nature of the study, the assessment is high level and qualitative in nature.

A. Problem identification

The primary problems that the current guidelines aim to address are the potential asymmetry of information on IFRS 9 transitional arrangements between information available to market participants and information available internally to institutions, and the possible inconsistencies and variations in the institutions' disclosures related to the impact of IFRS 9 transitional arrangements on their risk-based capital ratios and the leverage ratio during the phase-in period. Asymmetric information and a lack of comparability of information by market participants impair the functioning of market discipline.

Furthermore, the BCBS issued, in March 2017, the standard 'Pillar 3 disclosure requirements – consolidated and enhanced framework'. This includes a disclosure template, with an implementation date of 1 January 2018, that provides users with information on the impact of the transitional arrangements for the implementation of expected credit loss accounting on banks' regulatory capital and leverage ratios. Hence the current regulatory framework is not in line with the recent amendments at the BCBS level and in practice may lead to inconsistent implementation of the standards within the EU.

B. Policy objectives

The main objective of the guidelines is to increase the consistency and comparability of information disclosed by EU institutions regarding the impact of the IFRS 9 transitional arrangements on their own funds and capital and leverage ratios during the transition to the full implementation of the IFRS 9 framework.

The guidelines also aim to help EU institutions in implementing the new BCBS Pillar 3 requirements regarding the impact of the transitional arrangements for the implementation of expected credit loss accounting on banks' regulatory capital and leverage ratios.

These guidelines address the problem of asymmetric information, increase the comparability of EU institutions' disclosures and promote the alignment of the EU disclosure requirements with the BCBS Pillar 3 framework. The ultimate general objective of the guidelines is to strengthen market discipline.

C. Baseline scenario

Institutions within the scope of these guidelines are already subject to disclosure requirements on available own funds, risk weighted assets (RWA), leverage ratio risk exposure amount, regulatory capital ratios and the leverage ratio. These institutions already disclose the aforementioned information on a regular basis.

In addition, those institutions that choose to apply the IFRS 9 transitional arrangements in accordance with Article 473a of the CRR need to estimate the adjustments to own funds, regulatory capital ratios and the leverage ratio arising from the application of the IFRS 9 transitional arrangements. Finally, institutions applying the IFRS 9 transitional arrangements are required to report, as part of the reporting requirements included in the EU supervisory reporting framework,[7] the amount of the adjustments to own funds and RWA arising from the application of IFRS 9 transitional arrangements.

Institutions are therefore already required to disclose information on the actual value of the prudential metrics to which these guidelines refer and are required to estimate and report to the competent authorities the value of the adjustments to be applied to the same prudential metrics if the IFRS 9 transitional arrangements are implemented.

D. Options considered: assessment of the options and the preferred option(s)

During the development of the current guidelines, the following policy options were considered:

[7] COMMISSION IMPLEMENTING REGULATION (EU) No 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council.

a. Scope of the template: restricted to the mandate of the Commission vs. expanded in line with the BCBS framework

The BCBS framework includes information on the impact on regulatory capital and the leverage ratio of the transitional arrangements for the implementation of expected credit loss accounting in a key metrics template, which also includes other metrics that are considered key for users of information but that are not affected by the transitional arrangements (e.g. the liquidity coverage ratio and the net stable funding ratio).

During the preparation of the current guidelines, the possibility of adding these additional metrics to template IFRS 9-FL was discussed. EU institutions are required to disclose these additional metrics under Part Eight of the CRR, using separate disclosure templates, and the addition of these metrics would allow even closer alignment with the BCBS standard. Nevertheless, the mandate to the EBA to issue guidelines included in Article 473a of the CRR refers strictly to the disclosure requirements under the same Article; the additional metrics included in the BCBS standard are already implemented at EU level, albeit in separate templates. Therefore, it was decided to stick strictly to the mandate included in Article 473a of the CRR when developing template IFRS 9-FL.

b. Time dimension: reporting data as of time T and T-1 vs. reporting longer time-series data

During the development of template IFRS 9-FL, there was discussion of whether institutions should be required to disclose the relevant information for period T and T-1 or whether the time series should be extended, including T-2, T-3 and T-4, in line with the BCBS standard. Given that institutions will be required to disclose the information on a quarterly, semi-annual or annual basis, depending on the significance of the institution, in accordance with the criteria set in EBA GL/2014/14, it was decided that for institutions disclosing the information on a quarterly basis the time series required should be T, T-1, T-2, T-3 and T-4; for institutions disclosing the information on a semi-annual basis the time series required should be T, T-2 and T-4; and for institutions disclosing the information on an annual basis the time series requested should be T and T-4. This way, all institutions will disclose the data at the reference data and the evolution of the data during the previous year.

E. Cost-benefit analysis

The information that institutions are asked to disclose under template IFRS 9-FL of the current guidelines is fully available to them. Institutions are already required to disclose the information on the transitional value of the prudential metrics included in this template and are also required to estimate and report to the competent authorities the value of the adjustments to be applied to the same prudential metrics if the IFRS 9 transitional arrangements are implemented.

In addition, the policy choices agreed during the development of the guidelines simplify the information that institutions are asked to disclose.

For these reasons, the marginal cost and impact of the implementation of the current draft guidelines by institutions is expected to be negligible. The net benefit is expected to be positive when the marginal costs of implementation of the draft guidelines are compared with the benefits that the current guidelines are expected to achieve, in terms of improved symmetry of information between market participants and institutions, consistency and comparability of the information available to market participants and further fostering of market discipline. The benefits arising from the guidelines are hence expected to notably exceed the marginal costs for institutions.

4.2 Feedback on the public consultation

The EBA publicly consulted on the guidelines contained in this paper.

The consultation period lasted for 2 months and ended on 13 September 2017. Five responses were received, all of which five were published on the EBA website.

This paper presents a summary of the key points and other comments arising from the consultation, the analysis and discussion triggered by these comments and the actions taken to address them if deemed necessary.

In many cases, several industry bodies made similar comments or the same body repeated its comments in response to different questions. In such cases, the comments and the EBA's analysis are included in the section of this paper where the EBA considers them most appropriate.

Changes to the draft guidelines have been incorporated as a result of the responses received during the public consultation.

Summary of key issues and the EBA's response

The EBA included in the consultation paper a question on the possibility of adding a row to the disclosure template with quantitative information on an institution's RWA as if the IFRS 9 transitional arrangements had not been applied. Following the answers received and the EBA's analysis, according to which this information would indeed contribute to a better and more complete picture of the impact of IFRS 9 transitional arrangements on institutions capital ratios without creating an additional burden for banks, this row has been added to the template.

Other changes applied to the guidelines compared with the version published for consultation, following the comments received, include:

- The requirement to disclose the reasons behind an institutions' decision not to apply the IFRS 9 transitional arrangements, where relevant, has been dropped.
- The accompanying narrative to the quantitative template has been further elaborated in line with paragraph 9 of Article 473a.
- The instructions regarding the reference date for the reporting of data corresponding to previous periods have been adjusted in order to achieve consistency among institutions, regardless of the frequency with which they are required to report the template.

Summary of responses to the consultation and the EBA's analysis

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
Responses to questions in Consultation Paper EBA-CP-2017-11			
Question 1: Could you provide your views on whether adding RWA on an IFRS 9 fully loaded basis to the quantitative disclosure template in Annex I would provide more clarity to the users and would ensure a more consistent and comparable disclosure by institutions compared with the current proposal to disclose only the actual figure of RWA?			
Disclosure of RWA on an IFRS 9 fully loaded basis	Most members believe it would be beneficial to disclose RWA on an IFRS 9 fully loaded basis to provide more clarity to users, particularly as RWA will differ on a fully loaded basis. Furthermore, most members do not perceive this disclosure as requiring substantial additional resource or effort, and therefore the benefit of the disclosure would outweigh the associated cost of implementation.	The EBA agrees that disclosing the information on RWA on an IFRS 9 fully loaded basis would provide clarity and a more complete picture of the impact of the IFRS 9 transitional arrangements on capital ratios.	A row has been added to the disclosure template with the information on 'Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied'
Disclosure of RWA on an IFRS 9 fully loaded basis	It may be that adding RWA on an IFRS 9 fully loaded basis to the template would provide more clarity to its users. However, considering the fact that institutions applying the IFRS 9 transition arrangement are already expected to supplement the template with a narrative commentary to explain any significant changes to RWA that are due to the application of the transitional arrangement, there is no need to disclose RWA on an IFRS 9 fully loaded basis. Furthermore, the draft EBA guidelines take into account the disclosure Template KM1 issued by the BCBS on 29 March 2017 (Pillar 3 disclosure requirements" consolidated and enhanced		

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	framework) which aims to provide users with information on the impact of transitional arrangements on institutions' regulatory capital and leverage ratios. Since even BCBS Template KM1 requires only the disclosure of RWA on a transitional basis, it is suggested that the regulator should carefully assess if this additional disclosure requirement is really necessary.		
Disclosure of RWA on an IFRS 9 fully loaded basis	Given the uncertainty about the long-term regulatory treatment of provisions and the revision of the standardised approach for credit risk in the context of the Basel III finalisation, we believe that the proposed disclosure could create confusion and mislead stakeholders. Currently, both the RWA and the interaction between the accounting and the regulatory frameworks are being reviewed by the BCBS. The information to be disclosed will therefore change when the revision is finalized. This regulatory uncertainty about the information to be disclosed could therefore lead markets to draw inaccurate conclusions and bring about confusion instead of clarity. The disclosure of changes caused by applying the IFRS 9 transitional arrangements should generally be limited to material items and to ratios of relevance to capital markets and the public. It should be kept in mind that the transitional arrangements in the CRR and under Basel III concerning the eligibility of AT1 and Tier 2 capital instruments will remain relevant beyond		

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	1 January 2018 and that they have already resulted in differences in Tier 1, TC, leverage ratio and other relevant metrics.		
Disclosure of RWA on an IFRS 9 fully loaded basis	While we understand the need to disclose information regarding the impact of transitional arrangements for the implementation of expected loss accounting on banks' regulatory capital and leverage ratios, we question the relevance of adding granular information related to the impact of IFRS 9 on RWA. Currently, RWA are going to evolve following coming changes initiated by the BCBS and following revision of the CRR/CRD. Moreover, the long-term regulatory treatment of provisions is also under review. So these forthcoming legislative or regulatory changes will modify the RWA of a same risk exposure during the transitional period. Thus, it will become more difficult to provide consistent and comparable RWAs information. The development of business activities brings natural changes in RWA that would be burdensome to isolate and distinguish, without undue costs and efforts, from the impact of IFRS 9 transitional arrangements on RWA. Furthermore, requiring additional explanations of the changes to RWA would add complexity to the calculation of the metrics, whereas the proposed draft Article 473a, paragraph 7, of the CRR suggests a simplified way of calculating the credit		

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	risk adjustments applied to exposures. In addition, the EBA draft guidelines refer to the Pillar 3 disclosure standards “consolidated and enhanced framework” issued by the BCBS on March 2017. However, the BCBS standard requires only quantitative information on the impact of the IFRS 9 transitional arrangements, excluding narrative explanations of changes and significant events. Providing the amounts of the transitional adjustments to own funds to users of information (i.e. investors and shareholders) is far more relevant than providing greater granularity in the information on transitional adjustments on RWA. Accordingly, we consider that narrative and quantitative information related to explanations of the changes to RWA that are due to the IFRS 9 transitional arrangements should be deleted (see EBA/CP/2017/11, page 12, accompanying the narrative: ‘Institutions should also provide explanations of the changes to RWA and leverage exposure measure that are due to the application of the IFRS 9/analogous ECLs transitional arrangements, where these changes are material)		
Disclosure of RWA on an IFRS 9 fully loaded basis	Adding RWA on an IFRS 9 fully loaded basis would provide more clarity. However, it could easily be reversely computed from capital ratios and capital position stated on an IFRS 9 fully loaded basis (see comment on question 2).		

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
Disclosure of RWA on an IFRS 9 fully loaded basis	We agree that the addition of RWA on an IFRS 9 fully loaded basis to the quantitative disclosure template in Annex I would provide more clarity and contribute to ensuring more consistent and comparable disclosures by institutions and would therefore be beneficial to users of the Pillar 3 disclosure documents.		
Question 2: Do you agree with the overall content of these guidelines and with the template proposed? In case of disagreement, please outline alternatives that would help to achieve the purpose of the guidelines.			
Alignment of the row numbering in the template with the numbering of BCBS template KM1	The format of the template would be better if it followed the row numbering of the Basel KM1 template. This would make disclosures easier for those banks that may wish to adopt KM1 disclosures early, assist international comparability and avoid having to re-engineer the template when the transitional period ends or additional key metric disclosures are made by banks, i.e. avoid erratic row numbering.	The alignment of the numbering of the rows with BCBS template KM1 would be confusing. BCBS template KM1 includes information that is not included in Template IFRS 9-FL. This means that following BCBS numbering would lead to gaps in the numbering of the rows, and this might lead to misunderstandings.	No amendments were made as a result of this comment.
Accompanying narrative – information on significant changes in the metric values compared with the previous quarters	Institutions are expected to supplement the template with an accompanying narrative to explain any significant changes in the metric values mentioned compared with previous quarters. In this respect, clarity is needed on whether it is expected that the accompanying narrative will need to be included in upcoming disclosures to explain material changes from one quarter to the next until they are phased out after T-4. We suggest disclosing commentary only on material		No amendments were made as a result of this comment.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	changes compared with the previous quarter (T-1).		
Some of the information required is already included in other disclosure requirements. Frequency of the disclosures.	We are of the view that the proposed template would generate significant redundancy. Of the 16 proposed rows, the information required for 9 is already provided in existing disclosures. The template should therefore be limited to ratios that are relevant, namely the CET1 ratio and the leverage ratio (rows 1, 2, 8, 9, 15 and 16). We suggest deleting rows 3, 4, 5, 6, 7, 10, 11, 12, 13 and 14. Finally, we do not consider it appropriate to increase the frequency of comparative disclosure to up to four times a year, nor do we believe this would be consistent with the presentation of comparative reference dates for other disclosures. We therefore suggest requiring all banks to disclose comparative information for one reference date per year. In our view, this would also be consistent with the requirements of the EBA guidelines on disclosure requirements for RWA under Part Eight of Regulation (EU) No 575/2013 (see. page 57 of EBA/GL/2016/11: 'RWA (T-1): RWA as disclosed in the previous interim period. As template EU OV1 is required to be disclosed with quarterly frequency, the RWA (T-1) figure should be the figure disclosed at the end of the previous quarter').	While the EBA acknowledges that part of the information included in the disclosure template IFRS 9-FL is also included in other disclosure templates at EU level, this information is still needed in Template IFRS 9-FL in order to disclose a complete picture of the impact of IFRS 9 transitional arrangements on own funds and capital and leverage ratios. Template IFRS 9-FL requires the disclosure of information for one, two or three reference dates depending on the frequency with which institutions are required to disclose information on own funds, leverage ratio and RWA. Therefore, the template does not increase the frequency with which information has to be disclosed and it does not require substantial additional resources or effort for institutions. Furthermore, this information is beneficial for the users of information, ensures compliance with international standards and facilitates comparability with non-EU international active banks.	No amendments were made as a result of this comment.
Reference dates for the disclosure of comparative	Concerning the time dimension, we do not consider it appropriate to extend the time series	Template IFRS 9-FL requires the disclosure of information for one, two or three reference dates,	No amendments were made as a

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
information.	up to four times a year. Thus, we suggest that banks disclose comparative information for one reference date per year. We believe it would be consistent with the EBA Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013 (see page 57 of EBA/GL/2016/11: 'RWA (T-1): RWA as disclosed in the previous interim period. As template EU OV1 is required to be disclosed with quarterly frequency, the RWA (T-1) figure should be the figure disclosed at the end of the previous quarter')	depending on the frequency with which institutions are required to disclose information on own funds, leverage ratio and RWA. Therefore, the template does not increase the frequency with which information has to be disclosed and it does not require substantial additional resources or effort for institutions. In addition, this information is beneficial for the users of information, ensures compliance with international standards and facilitates comparability with non-EU international active banks.	result of this comment.
Information on transitional provisions with an impact on Additional Tier 1 and Tier 2 capital. Information redundancies.	In principle, the disclosure of divergence resulting from the application of IFRS 9 transitional provisions should be limited to material facts and to parameters that are relevant for the capital markets and the general public. In this connection, it should be noted that transitional provisions for the inclusion of AT1 and Tier 2 capital instruments, pursuant to the CRR and Basel III, will remain relevant beyond 1 January 2018, thus leading to different indications of Tier 1 and total capital, the relevant capital ratios, and the leverage ratio. We believe that disclosing different phased-in ratios (with and without IFRS 9 transitional arrangements), with the level of granularity proposed, would create not transparency but general uncertainty. Moreover, the proposed table would lead to significant redundancies: 9 of the proposed 16 lines are already included in existing disclosure	The disclosure template fully follows the disclosure requirements in paragraph 8 of the regulation and the mandate for the EBA set in the same paragraph. While the EBA acknowledges that some of the information included in the disclosure template IFRS 9-FL is also included in other disclosure	For those institutions under the scope of the guidelines that decide not to apply the transitional arrangements specified in Article 473a, the requirement to provide the reasons behind this decision has been dropped.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	templates. Therefore, disclosure should be limited to truly relevant parameters, i.e. CET1, CET1 ratio and leverage ratio (lines 1, 2, 8, 9, 15 and 16). We thus propose deleting lines 3-7 and 10-14. We consider extending disclosure to up to four reference dates to be inappropriate; moreover, we believe it would also be inconsistent with the presentation of reference dates for other information that forms part of the disclosure. Hence we propose limiting disclosure to one reference date throughout. We believe that this would also be consistent with the requirements set out by EBA/GL/2016/11 pursuant to Part Eight of Regulation (EU) No 575/2013 concerning RWA (see page 57: ‘RWA (T-1): RWA as disclosed in the previous interim period. As template EU OV1 is required to be dis-closed with quarterly frequency, the RWA (T-1) figure should be the figure disclosed at the end of the previous quarter.’) Template IFRS 9-FL (Annex I) contains requirements concerning phased-in and fully loaded disclosures. According to the described scope of application, institutions that choose not to apply the transitional arrangements should disclose a narrative commentary explaining that they are not applying the IFRS 9 or analogous ECLs transitional arrangements, the reasons behind that decision and that their own funds, capital ratios and leverage ratio already reflect the full impact of IFRS 9 or analogous ECLs. We agree with the	templates at EU level, this information is still needed in Template IFRS 9-FL in order to disclose a complete picture of the impact of IFRS 9 transitional arrangements on own funds and capital and leverage ratio. Template IFRS 9-FL requires the disclosure of information for one, two or three reference dates depending on the frequency with which institutions are required to disclose information on own funds, leverage ratio and RWAs. Therefore the template does not increase the frequency with which information has to be disclosed and does not require substantial additional resources or effort for institutions. In addition, this information is beneficial for the users of information, ensures compliance with international standards and facilitates comparability with non-EU international active banks. The EBA agrees that there is no need to justify the frontloading of the full implementation of IFRS 9.	

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	requirement for a 'not-applying-statement' as well as a statement reflecting the full impact of IFRS 9. In our opinion it is not reasonable to require institutions to justify the full implementation of IFRS 9. We believe stakeholders are more interested in the reasons of making use of the transitional arrangements than of applying the fully-loaded approach. Therefore we propose removing the disclosure requirements with regard to the reasons for full IFRS 9 implementation. It could be more useful to disclose the reasons for the decision to apply the transitional arrangements specified in Article 473a instead.		
	We agree with the content of the guidelines, but we recommend, for more clarity and comparability, requiring to disclose RWA on an IFRS 9 fully loaded basis, including a split by individual exposure classes (Article 112 CRR for SA and Article 147 for IRB); especially in SA, due to logic of allocation of risk weights in accordance with Article 127, would be very useful.	This proposal goes beyond the disclosure requirements set in the regulation and cannot therefore be included in the guidelines.	No amendments were made as a result of this comment.
	We support the overall content of the draft guidelines and the templates proposed in the Consultation Paper and agree that the draft guidelines will contribute to increasing the consistency and comparability of information disclosed in the context of IFRS 9 transitional arrangements. The proposed quantitative template includes lines	The impact of transitional arrangements on Tier 2 capital is embedded in the data required in the	No amendments were made as a result of this comment.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	to show CET1, Tier 1 and Total Capital figures. For completeness, the EBA may want to consider including lines on Tier 2 capital as well, particularly as IFRS 9 phase-in may have an impact on Tier 2 capital. This is particularly the case for banks that have an excess of accounting provisions over regulatory expected loss pre-IFRS 9 phase-in and for which that excess is eligible to be included in Tier 2 Capital under CRR Article 62(d). We would like to point out the differences in terminology used in the March 2017 BCBS Pillar 3 disclosure requirements standard and the proposed Guidelines. Specifically, we recommend using the well-established term fully loaded (as in the BCBS standard) rather than the longer and more ambiguous 'as if IFRS 9 transitional arrangements were not applied' (as in the draft guidelines).	template, when asking institutions to disclose Tier 1 and total capital ratios with and without the impact of transitional arrangements. The term 'fully loaded' has not been used in order to avoid confusion as 'fully loaded' terminology is usually applied to refer to all transitional arrangements with an impact on capital ratios.	