

Comments

EBA/CP/2024/06 public disclosures by institutions of the information on operational risk

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The **German Banking Industry Committee** is the joint committee operated by the central associations of the German banking industry. These associations are the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR), for the cooperative banks, the Bundesverband deutscher Banken (BdB), for the private commercial banks, the Bundesverband Öffentlicher Banken Deutschlands (VÖB), for the public-sector banks, the Deutscher Sparkassen- und Giroverband (DSGV), for the savings banks finance group, and the Verband deutscher Pfandbriefbanken (vdp), for the Pfandbrief banks.

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Overview of questions for consultation

Disclosure of operational risk

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.

The consultation paper states the first disclosure reference date should be 31.03.2025. As the CRR requires only an annual disclosure of operational risk and it applies from the 01.01.2025, we would like to point out that the first reference date for this disclosure would be 31.12.2025 for the most banks.

The methodology requires data calculation for the previous years retrospectively. This would be very burdensome in case of the granular templates as proposed. To reduce the burden for banks, the EBA should add that the disclosure of data for previous periods is not required for EU OR1 when data are disclosed for the first time (cf. disclosure instructions concerning historical data while implementing mandates of CRR 2 for EU KM1).

We want to point out an issue with the wording of the below mentioned sentence in the instructions for table OR1 row 1:

"The row shall disclose the total loss amount net of recoveries resulting from loss events above the loss event threshold of €20,000 for each of the last 10 reporting periods, (...)". In our opinion it should be clarified: Should the net loss amount exceed the threshold within 10 year period i.e. the total net sum of an event should be exceeding €20,000? The partial sentence "for each of the last 10 reporting periods" might be very confusing, because events like €3,000k for each of the last 10 reporting periods might be not reported as lower than €20,000 for each reporting year, but greater than €20,000 in total.

Additionally, for the purpose of CRR Art 316 (1) the net loss shall be calculated according to CRR Art 318. According to CRR Art 318 (2e) material "negative economic impacts booked in a financial year and which are due to operational risk events impacting cash flows or financial statements of previous financial years (timing losses)" shall be included in the loss data set. There is no clear instruction set when timing losses should be included in the dataset (e.g. quantitative threshold, client related etc.).

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?

The new Pillar 1 template EU OR1 is not part of the planned new CoRep reporting for OpRisk. We therefore recommend that the template EU OR1 should be deleted in order to maintain the alignment of CoRep and the Pillar 3 disclosure as postulated by the EBA and not to place an additional burden on institutions in terms of Pillar 3 disclosure. As envisaged in Article 434c of the CRR3 EBA might calculate the Pillar 3 information for institutions other than SNCIs at some point. With that in mind all new disclosure requirements should be aligned to regulatory reporting requirements.

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

In the case of retaining template EU OR1 we are of the opinion that the disclosure of one threshold (€100,000) would sufficiently accomplish the goal of conveying the OpRisk profile comprehensively to market participants.

Regarding template EU OR2, the detailed Pillar 3 disclosure should be omitted and only focused disclosure (lines 4, 5, 6a, 6b and EU6c) should be required. The proposed detailed disclosure would raise the problem that competitors could take advantage of the information. The focused disclosure would represent a simplification, it would also be clearer for the public report recipients and still sufficiently cover the information need of the external addressees.

Question 4: Do the respondents consider that the “mapping tool” appropriately reflects the mapping of the quantitative disclosure templates with supervisory reporting templates?

The new Pillar 1 template EU OR1 is not part of the planned new CoRep reporting for OpRisk. So there are no references in the mapping tool. We recommend to align EU OR1 with CoRep (deletion or postponement).