FINANCE DENMARK

Response to EBA's consultation on specific reporting requirements for market risk (EBA/CP/2023/03)

Position paper

20. juni 2023
Dok. nr. FIDA-1480277504-206-v1

Finance Denmark finds that EBA's proposal presented in the consultation document, to compel all EU banks using the Alternative Standardised Approach for market risk to report profit and loss data for every business day of the quarter constitutes a quite uncalled for additional reporting burden for the many EU banks that do not use the Alternative Internal model Approach for market risk, and for which profit and loss data are not part of the calculation of the capital requirements for market risk.

In the consultation document EBA proposes that all EU banks using the Alternative Standardised Approach for market risk, that is, all credit institutions that do not qualify as "small and noncomplex institutions" as defined in Article 4, point 145 in the CRR, should include daily profit and loss data in the quarterly market risk reporting.

While we acknowledge that some proportionality is considered in the consultation document by way of specifying certain "minimums requirements" regarding the profit and loss data to reported and freedom for institutions to report beyond those minimum requirements, we find that the proposed profit and loss reporting goes beyond the mandate in Article 430b of the CRR for institution that only use the Alternative Standardised Approach and not the Alternative Internal Model Approach. The profit and loss data are not part of the calculation of the capital requirements for market risk under the Alternative Standardised Approach, and should therefore, by principle, not form part of the capital adequacy reporting on a regular basis for these institutions.

Furthermore, despite the proposed proportionally considerations, developing new systems to report daily figures in the quarterly reporting will imply a considerable effort and cost for many smaller banks that fail to meet all the conditions for qualifying af "small and noncomplex".

If EBA finds that profit and loss data from banks, other than banks using the Alternative Internal Model Approach, are needed to assess the calibration of the FRTB-approaches, we would suggest other measures, for example ad hoc monitoring exercises with an appropriate sample of banks participating, rather than adding more reporting burdens on the many European banks that do not use the Alternative Internal Model Approach and do not qualify as "small og non-complex institutions".

Notat

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