

## Delegated Measures in the Banking Field: draft RTS on economic downturn in IRB modelling, Level 2 in CRD V/CRR II proposals, and CRD IV/CRR update 2018

Committee on Economic and Monetary Affairs  
Scrutiny Session of 18 June 2018

This briefing has been prepared to support **ECON's work on scrutiny** of delegated acts, in particular the discussion of **18 June 2018** on forthcoming draft measures (Delegated Acts (**DAs**)), and in particular Regulatory Technical Standards (**RTS**)) under the *Capital Requirements Directive* [2013/36/EU](#) (**CRD IV**) and the *Capital Requirements Regulation* (EU) No [575/2013](#) (**CRR**). It continues the ECON discussions on 28 February 2017 and 26 March 2018 and covers in particular the EBA's draft RTS on estimation and identification of an economic downturn in IRB modelling and provides an overview to DAs and RTS as proposed by the Commission in their CRD V ([COM\(2016\)854](#)) and CRR II ([COM\(2016\)850](#)) proposals.

### In brief

The **CRD IV** and **CRR** constitute the core of European banking legislation. They contain many empowerments for the Commission to adopt 'Level 2' measures, i.e. Delegated Acts (**DAs**) and Implementing Acts (**IAs**)<sup>1</sup>, including specific types thereof, namely Regulatory Technical Standards (**RTS**) and Implementing Technical Standards (**ITS**), which are both based on drafts by the European Banking Authority (**EBA**). To date, some of these measures are still outstanding<sup>2</sup>. In view of the prerogative of the European Parliament to object to DAs/RTS, this briefing provides an **updated overview table** on the state of play, focusses on one **draft EBA RTS on estimation and identification of an economic downturn in IRB modelling** which is currently under consultation (for the second time) because particular attention is paid to the methods on how banks' capital (requirements) are measured. Thus they are crucial for the application of the CRR/CRD IV and for the industry in view of their substantive impact on capital needed. Finally, there is a **brief outlook on Level 2 measures** proposed by the Commission in CRD V and CRR II.

### CURRENT STATE OF PLAY

- The Commission has already adopted and published many DAs and IAs under the CRD and the CRR including RTS, ITS and amending acts. Some of them are based on multiple mandates (around 76 RTS- and 50 ITS-mandates), see the published overviews on EUR-lex (footnote 2).
- **Still pending under CRD are two ITS and one RTS; under CRR five ITS, one IA, one (correcting) DA and 14 RTS** still have to be finalised according to information provided by DG FISMA<sup>3</sup>.

<sup>1</sup> Under Articles 290 and 291 of the Treaty on the Functioning of the EU (TFEU), respectively.

<sup>2</sup> See the overviews on EUR-lex: [CRD IV ITS](#) and [CRD IV RTS](#), as well as [CRR ITS](#) and [CRR RTS](#) listing all measures already adopted and published.

<sup>3</sup> The Commission's DG FISMA website provides regularly updated **overview lists** on [RTS](#) and on [ITS](#) supplementing CRR/CRD (latest update 22 May 2018), **listing the adopted and outstanding measures**.

- For 11 of these RTS under CRR and CRD, no final EBA draft is available (but the EBA consulted on seven); for five RTS adoption may happen in the (near) future as EBA has already delivered final draft RTS texts for them (the Commission has to react within three months, Art. 10 of Regulation (EU) No 1093/2010 ([EBA Regulation](#))). Two RTS have been adopted by the Commission; one of them is published in the OJ. RTS identified as being **more politically relevant** in view of their crucial impact on the capital a bank has to provide are displayed in bold. Three RTS that all relate to internal models (internal ratings based (IRB) approach) are discussed in more detail in this briefing which is an [update](#) of the [briefing](#) provided for the CRD/CRR session of [28.2.2017](#) and the [briefing](#) provided for the session of 26 March 2018.

**Table 1: Updated overview on pending RTS (without reviews, prolongation of waivers, etc.)**

RTS subject and legal basis (bold: files of specific interest for ECON)	Submission deadline in CRR/CRD IV	EBA draft RTS delivered on	COM planning/ OJ publication
<b>Criteria for intragroup inflows &amp; outflows, Art 422(10), 425(6)CRR</b>	1.1.2015	26.7.2016	OJ 8.7.2017
Default definition, thresholds for past due items, Art 178(6) and (7) CRR	31.12.2014	28.9.2016	OJ 6.2.2018
Disclosures of unencumbered assets*, Art 443 CRR	1.1.2016	24.2.2017	OJ 13.12.2017
CVA risk Own Funds Requirements*, Art 382(5) CRR	30.6.2015	9.2.2017	OJ 18.5.2018
<b>Assessment methodologies for Advanced Measurement Approaches (AMA) for operational risk, Art 312(4)(a) CRR; adopted by COM, awaiting publication</b>	31.12.2014	<a href="#">3.6.2015</a>	was 2015, now 3/2018
Risk weights for specialised lending exposures, Art 153(9) CRR	31.12.2014	<a href="#">13.6.2016</a>	was 13.6.2016, now 5/2018
<b>Probability of Default (PD) estimation (Internal Ratings Based (IRB) assessment methodology), Art 144(2), 173(3), 180(3)(b) CRR</b>	31.12.2014	<a href="#">21.7.2016</a>	was 20.6.2016, now 5/2018
Market risk assessment methodology (internal models and significant share), Art 363(4)(b) and (c) CRR	31.12.2014	<a href="#">22.11.2016</a>	was 2016, now 5/2018
Proxy spread and smaller portfolios for CVA Risk, Art 383(7) CRR – <a href="#">draft EBA RTS</a> (21.6.2017) is an update to existing RTS	-	<a href="#">21.6.2017</a>	3/2018
Authorisation of credit institutions*, Art 8(2) CRD	31.12.2015	<a href="#">14.7.2017</a>	was 31.12.2016, now 5/2018
Economic downturn loss given default (LGD) and conversion factors, Art 181(3), 182(4)(a) CRR see EBA <a href="#">opinion</a> 4.2.2016	31.12.2014	[on hold] Exp.Q3/18	See no. 1: EBA <a href="#">consults</a> 22.6.18
Roll out, Art 148 CRR – see <a href="#">EBA letter 2015</a>	31.12.2014	[On hold]	n.a.
Permanent partial use of Standardised Approach, Art 150(3), 152(5) CRR – see <a href="#">EBA letter 2015</a>	31.12.2014	[On hold]	n.a.
<b>Mortgage Lending Value, Art 124(4) CRR (EBA OP/2015-17)</b>	31.12.2014	[On hold] see EBA <a href="#">opinion</a> (5.10.2015)	n.a.
Eligible collateral within CRM framework*, Art 194(10) CRR	30.6.2014	EBA prop. <a href="#">deletion</a> **	n.a.
Conditions for conditional guarantees*, Art 183(6) CRR	31.12.2014	EBA <a href="#">monitoring</a> **	n.a.
Immaterial portfolios*, Art 221(9) CRR	31.12.2015	EBA <a href="#">monitoring</a> **	n.a.
Risk weights mortgage lending, Art 164(6), 124(4)(b) CRR	31.12.2014	see EBA <a href="#">letter</a> 5.9.16	was 30.6.2016,
Combined use of different approaches*, Art 314(5) CRR –	31.12.2016	see <a href="#">EBA letter 2016</a>	was 31.12.2016
Methods of prudential consolidation, Art 18(7) CRR	31.12.2016	EBA <a href="#">consultation paper</a> of 6.11.2017	
Relevant indicator under accounting standards*, Art 316(3) CRR –	31.12.2017	see <a href="#">EBA letter 2016</a>	now 12/2018
<b>Amending DA for LCR, Art. 460 CRR - <a href="#">consultation</a> ended 21.2.2018</b>	-	Not applicable	<b>4/2018</b>

\* = extension requested; grey = adopted; *italics* = new change to table of [2/2017](#); \*\* On the first two RTS, the EBA will be **continuously monitoring the need to deliver on these mandates** also in light of international developments in this regulatory area; on the third RTS mandate, the **EBA recommends this be deleted** from the CRR, see [EBA Report on Credit Risk Mitigation \(CRM\) framework](#) of 19 March 2018

## SOME GENERAL ITEMS FOR DISCUSSION (this part is partly copied from the March 2018 briefing paper)

**Background:** The EBA publishes all final draft RTS and ITS on its website as soon as they are submitted to the Commission. In accordance with Article 10(1) [EBA Regulation](#), the Commission has **three months** to decide on whether to endorse a draft RTS as proposed or in part only, or with amendments, where the Union's interests so require, observing the specific procedure laid down in this Article. As part of the informal cooperation established between ECON and the Commission on draft level 2 measures, ECON Members may submit comments and questions on the EBA's drafts to the Commission services.

- **Transparency & legal issues:** Delivery dates are decided by the co-legislators. The EBA wrote letters to the Commission in [2015](#) and in [2016](#) to request **revised deadlines** for delivery of certain draft RTS under the CRR and the CRD IV (no letter in 2017). The requests may be seen as related to Article 10(2) [EBA Regulation](#) ('Where the Authority has not submitted a draft RTS within the time limit set out in the legislative acts referred to in Article 1(2), the Commission may request such a draft within a new time limit.')  
→ The **EBA's prolongation request** letters are available on the EBA website, but the **Commission's decision** on the prolongation of deadlines is not made public or notified to the Parliament.  
Certain RTS are **put 'on hold'** by the EBA; e.g. the one on **Mortgage Lending Value**, Art. 124(4) CRR (initial deadline 31.12.2014); for others, the EBA will **monitor** (RTS under Art. 183(6) and Art. 221(9) CRR) or **proposes deletion** (RTS under Art. 194(10) CRR), see [EBA Report on Credit Risk Mitigation \(CRM\) framework](#) of 19 March 2018.  
→ While the EBA explains in various reports and opinions the reasons for such non-delivery of draft RTS, an overview in a single document is not available but would be useful (Commission to extend its [overview](#)/EBA to supplement its interactive single rulebook on [CRD/CRR](#) or its [Work Programme](#)?)
- In view of the amending **DA on the Liquidity Coverage Ratio (LCR)** described below:  
→ What were the **reasons for the delay; which feedback resulted from the consultation?**
- Regarding a) the **RTS listed** below that are of more political relevance, b) the already available draft RTS of the EBA, and c) the remaining mandates for RTS:  
→ **What is the current status of adoption by the Commission? What are the reasons for the delays? What is the EBA's planning for providing the outstanding draft RTS?**
- **Forwarding draft RTS and ITS to EP:** The Commission has the obligation to forward the draft RTS/ITS received from the EBA **immediately** to the Parliament; Article 10(1) fourth subparagraph [EBA Regulation \(EU\) No 1093/2010](#). In some cases, there have been delays in the submission.  
→ It might be more efficient if the EBA forwards its drafts simultaneously to the Commission, the European Parliament and the Council. This could be addressed in an amendment to the EBA Regulation.
- **Initiative and timeline (transparency) for amendments/updates of DAs and RTS:** There is currently no procedure or rule how to deal with DAs and RTS which need to be amended, for instance because the content of the underlying empowerment is changed - in particular in cases in which the original empowerment includes a deadline, while this part of the empowerment is not amended.  
→ The Commission could propose a consistent adaption of deadlines for DAs/RTS when proposing amendments; the Commission and the EBA could provide quarterly overviews to the Parliament and to the Council on the state of play and the envisaged timelines regarding work on amending DAs/RTS.

## DAs AND RTS IN THE COMMISSION'S PROPOSALS FOR CRD V and CRR II

In November 2016 the Commission proposed changes to CRD and to CRR in their CRD V ([COM\(2016\)854](#)) and CRR II ([COM\(2016\)850](#)) proposals. Some new delegated acts are proposed. The table below provides a (non-exhaustive) overview on the proposed rules.

(proposed) DA/RTS subject and legal basis	Submission deadline in CRD V/CRR II	Comment
→ <i>note: Recital 18 CRD on consultations and document transparency</i> <sup>4</sup>		
DA list of exempted institutions, Art. 5a, 5b CRD	No deadline	'regular' review' by COM if requirements are still met
RTS Calculation interest rate risk of non-trading book activities, Art. 84(4) CRD	EBA draft 1 year <b>after entry into force ('aeif')</b>	
RTS supervisory shock scenario for economic value of equity, Art. 98(5a) CRD	EBA draft 1 year aeif	
RTS Methods of prudential consolidation, Art. 28(7) CRR	EBA draft by 31.12.2016	Deadline not aligned?
RTS on definitions for reducing own funds, Art. 78(5) CRR	EBA draft 3 months aeif	
RTS on method for identifying material risk drivers, Art. 277(6) CRR	EBA draft 6 months aeif	
RTS on definition of large and concentrated commodity derivative portfolios, Art. 280d(3) CRR	EBA draft 15 months aeif	
RTS determination own funds requirements for market risks for non-trading book positions, Art. 325(8) CRR	EBA draft 6 months aeif	
RTS on risk weights for positions in the CIU, Art. 325k(3) CRR	EBA draft 15 months aeif	
RTS on definition of emerging markets and advanced economies, Art. 325aq(3) CRR	EBA draft 15 months aeif	
RTS on extraordinary circumstances definition, Art. 325ba(8) CRR	EBA draft 2 years aeif	
RTS on liquidity horizons, Art. 325be(7) CRR	EBA draft 6 months aeif	
RTS on technical elements in portfolio changes, Art. 325bg(9) CRR	EBA draft 6 months aeif	
RTS on technical changes P&L attribution, Art. 325bh(4) CRR	EBA draft 6 months aeif	
RTS on extreme scenario of future shock, Art. 325bl(4) CRR	EBA draft 6 months aeif	
RTS on estimating default probabilities, Art. 325bq(12) CRR	EBA draft 15 months aeif	
RTS on overall exposure to client or group, Art. 390(8) CRR	EBA draft by 1.1.2014	Deadline not aligned?
RTS on exposures arising from specific contracts, Art. 390(9) CRR	EBA draft 9 months aeif	
RTS on derogations for liquid assets, Art. 419(5) CRR	EBA draft 6 months aeif	
RTS on conditions for notion of materiality, Art. 423(3) CRR	EBA draft 6 months aeif	
RTS on common modelling and parametric assumptions, Art. 448(3) CRR	EBA draft 2 years aeif	
(existing) DA on Liquidity Coverage Ratio, Art. 460(1) CRR	-	
DA to amend the list of products and services, Art. 460(3) CRR	3 years after the date of application of the NSFR	net stable funding ratio (NSFR)
Change to Implementing Regulation on extension of transitional periods related to own funds requirements for exposures to central counterparties (CCPs), Art. 497 CRR	-	Had to be prolonged every six months, now IA requirement is removed
DA on prolongation of treatment of own funds requirements, Art. 501b(3) CRR	Within 3 years after date of application of the approaches set out in Chapters 1a and 1b, Title IV, part 3	If no DA adopted, treatment shall cease to apply (see paragraph 4.); Art. 501 not in list of DAs in (unchanged) Art. 462 CRR
DA amending treatment of derivative contracts, Art. 507(5) CRR	3 years after NSFR	Art. 507 not in list of DAs in (unchanged) Art. 462 CRR
DA treatment of secured lending transactions and capital market-driven transactions, Art. 507(7) CRR	3 years after NSFR	Art. 501 not in list of DAs in (unchanged) Art. 462 CRR

<sup>4</sup> '(18) Before the adoption of acts in accordance with Article 290 TFEU, it is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level, and that those consultations be conducted in accordance with the principles laid down in the Interinstitutional Agreement on Better Law-Making of 13 April 2016. In particular, to ensure equal participation in the preparation of delegated acts, the European Parliament and the Council receive all documents at the same time as Member States' experts, and their experts systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts.'

## SELECTED EBA DRAFT RTS

### 1. 2<sup>nd</sup> EBA consultation on draft RTS on estimation and identification of an economic downturn in IRB modelling, Article 181(3)(a), 182(4)(a) CRR + Consultation on draft Guidelines for the estimation of LGD appropriate for an economic downturn

The EBA's (second) [Consultation paper Draft Regulatory Technical Standards on the specification of the nature, severity and duration of an economic downturn in accordance with Articles 181\(3\)\(a\) and 182\(4\)\(a\) of Regulation \(EU\) No 575/2013](#) (CRR) (EBA/CP/2018/09) of 22 May 2018 specifies the nature, severity and duration of an economic downturn referred to in paragraphs 181 (1)(b) and 182(1)(b) CRR. Based on the feedback received in the first consultation<sup>5</sup>, these draft RTS are now complemented with a consultation paper with draft Guidelines that address the incorporation of an economic downturn in IRB model estimates. The RTS now **focus solely on the identification of an economic downturn**. To this end, the draft RTS require institutions to consider relevant macroeconomic and credit factors when specifying the nature of an economic downturn. In particular, the severity and duration of an economic downturn should be specified taking into account the time series for the identified relevant macroeconomic factors.

Defining **economic downturn with three dimensions (i.e. nature, severity, and duration)**, the proposed draft RTS moves away from the previous consultation paper, which also allowed inclusion of the losses of a specific portfolio. Instead, the economic downturn is solely based on a set of relevant - mainly macroeconomic - variables. Specifically, the three aspects are described as follows:

- nature is specified via economic factors that are explanatory variables or indicators of the business cycle for the considered type of exposure,
- the severity of an economic downturn is specified via the most severe values observed on the relevant economic factors over a given historical period, and
- the duration of an economic downturn is specified via the concept of the 'downturn period(s)' which is a period of time where the peaks or troughs are observed.

The draft proposal consists of four articles that, operating on these three aspects, further explain and illustrate them:

- **Article 1** ('General') outlines the basic structure of the RTS and introduces the different aspects and conditions under which the economic downturn can be described as such.
- **Article 2** ('Nature of an Economic Downturn') now specifies a list of specific economic factors that are relevant for identifying the nature of an economic downturn for a particular type of exposure.
- Under **Article 3** ('Severity of an Economic Downturn') institutions are requested to select the most severe cases for all of the relevant economic factors based on the historical values of the past 20 years. This article also explains how to avoid that this process is becoming an overly mechanistic approach, for example by specifying under which conditions the severe cases over past 20 years would not be considered sufficiently severe.
- Finally, **Article 4** ('Duration of an Economic Downturn') relates to the duration of an economic downturn.

Jointly with the draft RTS, the EBA has published a [Consultation paper on Guidelines for the estimation of LGD appropriate for an economic downturn \('Downturn LGD estimation'\)](#) (EBA/CP/2018/08) of 22 May 2018 under Article 16 EBA Regulation. The draft Guidelines focus on the appropriate estimation of the **loss given default (LGD)** in a situation of economic downturn. They have been developed to **supplement the RTS** and clarify how institutions should quantify LGD estimates appropriate for an economic downturn identified according to the draft RTS. To this end, the draft Guidelines focus on the methods institutions should use to quantify downturn LGD estimates. Several approaches are allowed and will be driven by the

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<sup>5</sup> Launched on 1 March 2017 ([EBA/CP/2017-02](#)).



availability of loss data for the estimations. In situations with limited data availability, more prescriptive approaches are applied. The draft Guidelines will be included in the EBA Guidelines on probability of default (PD), LGD estimation and treatment of defaulted assets published on 20 November 2017.

With the completion of the draft RTS and the draft Guidelines, the **EBA road map on the regulatory review of IRB models** will be completed.

**State of play:** The RTS is under consultation until 22 June 2018 and the EBA will subsequently initiate its review of the replies to the consultation.

## 2. Draft EBA RTS on Internal model approach assessment methodology and significant share, Art. 363 (4) CRR; EBA/RTS/2016/07<sup>6</sup> of 22 November 2016

The EBA specified in the [final draft RTS on the assessment methodology for the Internal Model Approach \(IMA\) for market risk](#) the criteria applied to assess what is a 'significant share' of the positions to be included in an internal model, computed for each one of the market risk categories referred to in Article 363(1) CRR<sup>7</sup>. Under the IMA, institutions determine their own funds requirements for market risk based on internally developed models. Competent Authorities may, according to Article 363 CRR, permit institutions to use the IMA for one or several of the risk categories listed in paragraph 1 of that Article, provided that the conditions set out in Part Three, Title IV, Chapter 5 of the CRR are met. The draft RTS set out the criteria to be applied by competent authorities when assessing the significance of positions included in the scope of market risk internal models and the two different methodologies for general and specific risk categories, both based on the standardised rules for market risk. The standards shall be used by competent authorities in their assessment of institutions' compliance with IMA requirements when the institutions apply the IMA to determine market risk capital requirements or introduce any material changes or extensions to the IMA approach. The draft RTS aim to assist in the assessment of whether institutions meet minimum IMA requirements on an ongoing basis following the regular review of the internal model.

The EBA has taken into account the developments at international level in market risk capital standards, in particular the Fundamental Review of the Trading Book (FRTB) that the Basel Committee on Banking Supervision (BCBS) published in January 2016. These RTS introduce some elements that go in the direction of the Basel review but, at the same time, can be implemented within the CRR. The EBA has dropped some elements included in the consultation paper that will no longer be relevant once the new market risk framework has been implemented in the EU.

**State of play:** The Commission is currently working on the act to be adopted (was planned for May 2018).

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<sup>6</sup> EBA Final Draft Regulatory Technical Standards on the specification of the assessment methodology for competent authorities regarding compliance of an institution with the requirements to use internal models for market risk and assessment of significant share under points (b) and (c) of Article 363(4) of Regulation (EU) No 575/2013, EBA/RTS/2016/07 of 22 November 2016.

<sup>7</sup> The EBA already completed the mandate to draft RTS specifying the conditions for assessing the materiality of extensions and changes to use market internal models, included in letter (a) of Article 363(4) CRR; [Commission Delegated Regulation \(EU\) 2015/942 of 4 March 2015 amending Delegated Regulation \(EU\) No 529/2014 supplementing Regulation \(EU\) No 575/2013 of the European Parliament and of the Council as regards regulatory technical standards for assessing the materiality of extensions and changes of internal approaches when calculating own funds requirements for market risk](#); OJ L 154, 19.6.2015, p. 1.

### 3. Draft EBA RTS on Probability of Default (PD) estimation (Internal Ratings-Based (IRB) assessment methodology), Art. 144(2), 173(3), 180(3)(b) CRR, EBA/RTS/2016/03<sup>8</sup> of 21 July 2016

In the [draft RTS on the assessment methodology for the IRB approach](#) the EBA specifies the assessment methodology competent authorities should follow when assessing the compliance of an institution with the requirements for using the IRB approach. The IRB approach allows for the estimation of own credit risk parameters for the purpose of calculating regulatory capital. The purpose of the RTS is to harmonise the supervisory assessment methodology with respect to the IRB approach across all EU Member States. As with the previous draft RTS, these draft RTS will also replace the above mentioned [CEBS Guidelines \(GL-10 CEBS, 2006\)](#), but the change is limited to Section 2.2.2, Section 3 and Annex III in the context of the assessment methodology used by competent authorities in assessing the compliance of an institution with the requirements for using the IRB Approach. To facilitate the implementation of changes stemming from the regulatory products specified in the EBA's plan for the [review of the IRB Approach](#) for competent authorities as well as for institutions, the EBA has issued an [opinion](#) specifying the expected general principles and timelines for the implementation process.

**State of play:** The Commission indicated at the 2017 Scrutiny Slot that the RTS were planned to be adopted in June 2017; however, the RTS are still outstanding.

### 4. Amendment to the Delegated Act on the Liquidity Coverage Ratio (LCR) 2015/61 of 10.10.2014

The existing [DA on the Liquidity Coverage Ratio](#)<sup>9</sup> (Art. 460 CRR) sets out rules governing which assets can be considered as high quality liquid assets and how the expected cash outflows and inflows are to be calculated under stressed conditions. In mid-2015, the Commission started to prepare a '**correction**' to the **DA** in order to make limited amendments to the LCR. The Commission planned to adopt the 'correcting' DA after the adoption of the *simple, transparent and standardised (STS) securitisation proposal* (COM(2015)472 of 30.9.2015). In the meantime, the STS Regulation was adopted and published end 2017<sup>10</sup>. On 24.1.2018, the Commission has put forward a draft [amending DA for consultation](#) that ended on 21 February 2018. The proposal is intended to make limited amendments to the LCR Delegated Regulation to improve its practical application.

The proposed amendments relate to

- the calculation of expected liquidity outflows and inflows on repos, reverse repos and collateral swaps transactions, in order to fully align them with international liquidity standards development by the Basel Committee on Banking Supervision (BCBS);
- the treatment of certain reserves with central banks and non-EU public sector entities that are not rated at least '*External credit assessment institution (ECAI) 1*' grade;
- the waiver of the minimum issue size for certain non-EU liquid assets by waiving for consolidated purposes any applicable minimum issue size requirements for third country liquid assets held by a non-EU subsidiary;
- the application of the unwind mechanism for the calculation of the liquidity buffer, among other things, to align it more closely with the Basel standard by removing collateral received through derivatives transactions from the mechanism; and
- the integration of simple, transparent and standardised (STS) criteria for securitisation into the LCR DA.

**State of play:** The Commission is currently reviewing the replies to the consultation.

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<sup>8</sup> Final Draft Regulatory Technical Standards on the specification of the assessment methodology for competent authorities regarding compliance of an institution with the requirements to use the IRB Approach in accordance with Arts. 144(2), 173(3) and 180(3)(b) of Reg. (EU) No 575/20.

<sup>9</sup> Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions, OJ L 11, 17.1.2015, p. 1.

<sup>10</sup> [Regulation \(EU\) 2017/2402](#) of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012, OJ L 347, 28.12.2017, p. 35.

## Pending draft EBA RTS

The following draft RTS have been **finalised by the EBA** and were submitted to the Commission, but have not yet been adopted by the latter. **N.B.:** Under Article 10 (1) [EBA Regulation](#), the Commission has **three months** to react to the draft RTS as proposed by the EBA.

- Final [draft RTS on Assigning Risk Weights to Specialised Lending Exposures](#) under Article 153(9) of Regulation (EU) No 575/2013 CRR, EBA/RTS/2016/02 **of 13 June 2016**;
- Final [draft RTS for determining proxy spread and limited smaller portfolios for credit valuation adjustment under Article 383\(7\) of Regulation \(EU\) No 575/2013 \(the Capital Requirements Regulation – CRR\)](#), EBA/RTS/2017/07 **of 21 June 2017**. **N.B.** The draft RTS propose limited amendments to [Commission Delegated Regulation \(EU\) 526/2014](#) for determining proxy spread and limited smaller portfolios for CVA risk; they specify cases where alternative approaches can be used for identifying an proxy spread and market loss-given-default (LGD<sub>MKT</sub>);
- Final [draft RTS under Article 8\(2\) of Directive 2013/36/EU on the information to be provided for the authorisation of credit institutions, the requirements applicable to shareholders and members with qualifying holdings and obstacles which may prevent the effective exercise of supervisory powers](#), EBA/RTS/2017/08 **of 14 July 2017**.

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