



Draft GL on ICAAP and ILAAP information collected for SREP purposes

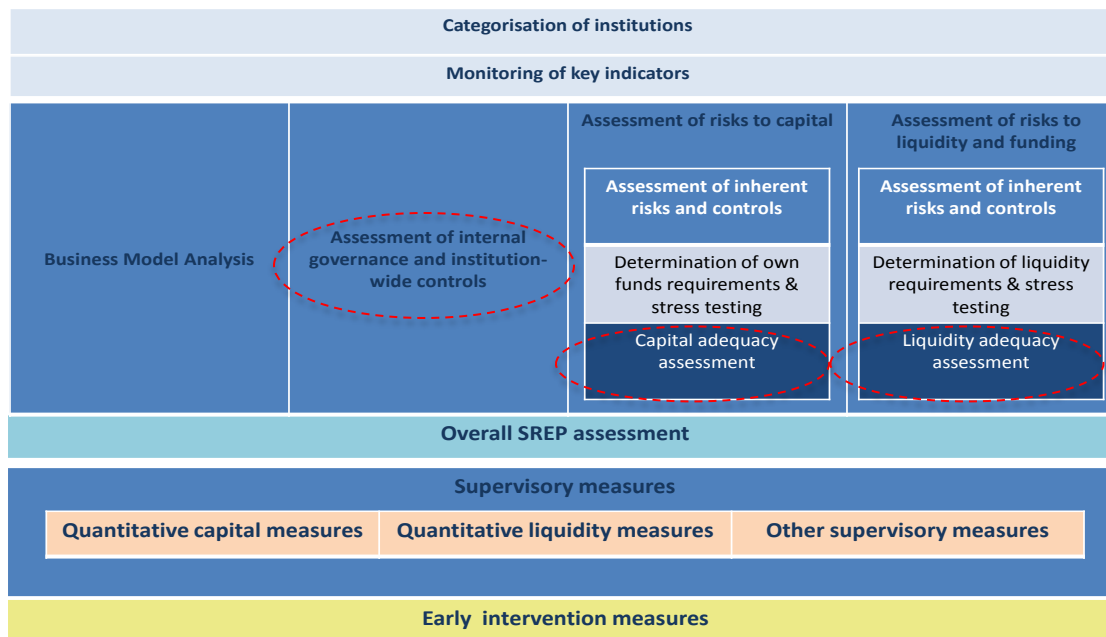
16 February 2016 | Public hearing

Outline

1. Objective of the Guidelines
2. What are these Guidelines about?
3. ICAAP and ILAAP information collection – process
4. ICAAP and ILAAP information collection – content
5. Next steps
6. Questions for discussion

Setting the scene (1/2)

- Guidelines on common procedures and methodologies for SREP published in December 2014 (SREP Guidelines) require competent authorities to assess:
 - ICAAP and ILAAP frameworks as part of the assessment of risk management elements within the assessment of ‘internal governance and institution-wide control’ SREP element
 - reliability of ICAAP and ILAAP calculations as within the assessment of ‘capital adequacy’ and ‘liquidity adequacy’ elements of SREP



Setting the scene (2/2)

- SREP Guidelines introduce broad criteria for assessment of ICAAP and ILAAP frameworks and internal capital and liquidity estimates building on CEBS GL03
- EBA focus on supporting consistent implementation of SREP Guidelines and where necessary development of additional guidance, in particular in order to
 - ensure that competent authorities have access to a comprehensive and consistent set of information in order perform assessments as specified in the SREP Guidelines
 - clarify that some information can be cross-used for the assessment of other SREP elements (e.g. BMA, assessment of risks to capital)

Greater convergence in the collection of ICAAP and ILAAP information would facilitate a more consistent implementation of the SREP Guidelines

What are these GL about? (1/2)

- The draft Guidelines cover types of qualitative and quantitative information competent authorities should require institutions to provide to them in evidence of the implementation of ICAAP and ILAAP.
- Competent authorities should use this information for the purposes of their assessments following the criteria specified in the SREP Guidelines
- The draft guidelines also provide key principles for organising collection of such information

The draft Guidelines do:

- recognise the principle of proportionality both on the side of competent authorities and institutions
- reflect assessment criteria introduced in the SREP Guidelines

What are these GL about? (2/2)

The draft Guidelines do not:

- introduce any new criteria for ICAAP and ILAAP addressed to institutions
- introduce any new criteria for the assessment of ICAAP and ILAAP addressed to competent authorities (they are consistent with the SREP Guidelines)
- introduce or specify the set-up of an ICAAP/ILAAP report *per se*, as the information items provided in the guidelines can be provided to competent authorities based on a format that best reflects the internal implementation of ICAAP / ILAAP and its day to day internal reporting
- introduce specific risk taxonomy
- introduce templates for quantitative data collections

ICAAP and ILAAP information collection – process

Competent authorities would need to specify and notify institutions about:

- remittance dates
- reference dates
- frequencies of information submission
- technical means and format for the submission of information (e.g. one or multiple reports/documents)

Principle of proportionality applied through (1) the categorisation of institutions and minimum supervisory engagement model introduced in SREP Guidelines, (2) recognising that some information may be already available to CAs as a result of other supervisory activities, and (3) avoiding double reporting burden by combining requirements relating to ICAAP and ILAAP

Category 1 institution

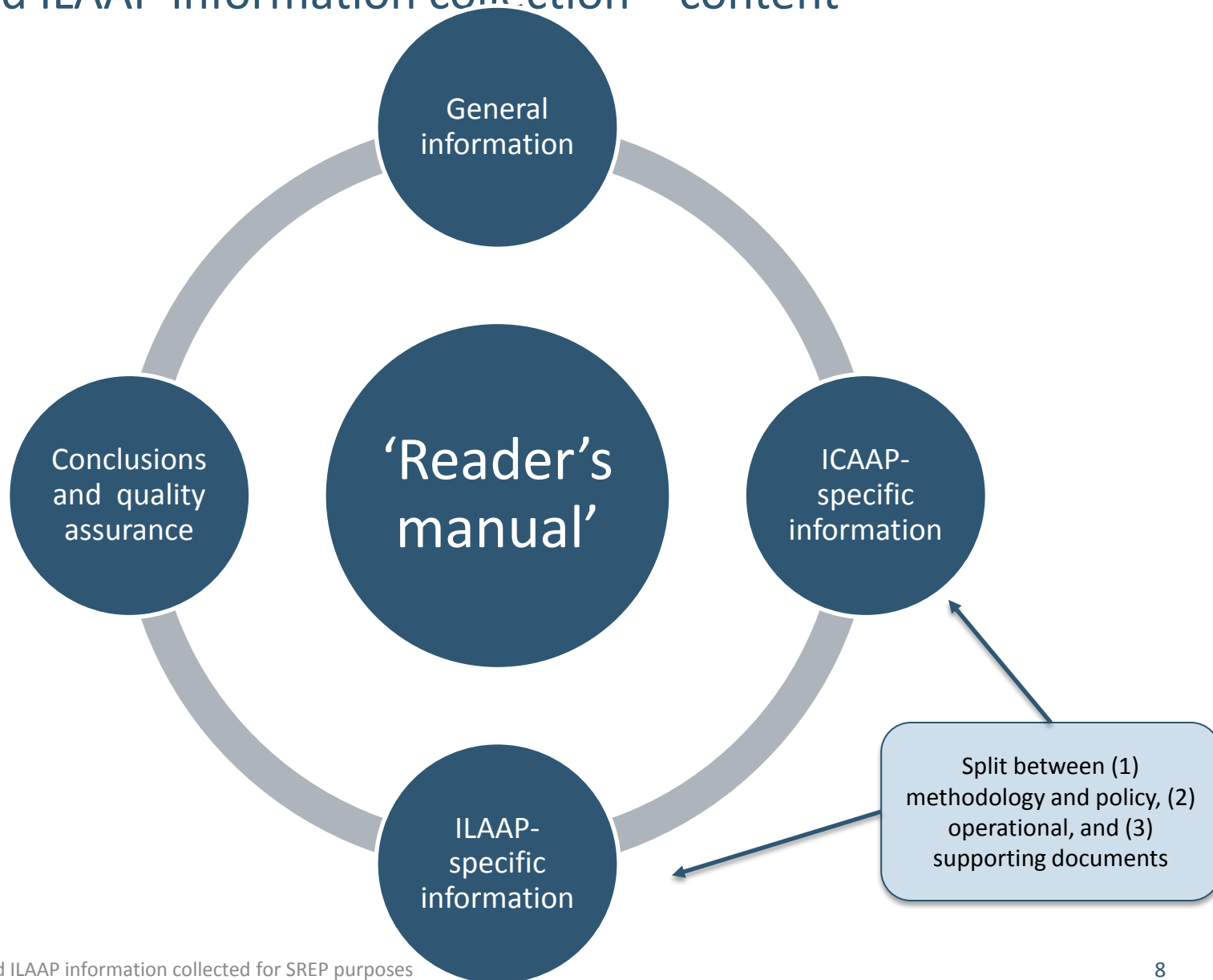
all information items referred to in the draft Guidelines, at least on an annual basis by one single set date

Other categories (2-4)

Possibility of having different than annual frequency of information submission, and different remittance and reference dates

Possibility of different levels of detail or waiving some specific information items referred to in the draft Guidelines

ICAAP and ILAAP information collection – content



General information

- Information on business model and strategy
- Information on risk governance framework
- Information on risk appetite framework
- Information on risk data, aggregation and IT systems
- Information on disclosure of ICAAP and ILAAP

This information :

- is essential to put ICAAP and ILAAP into context
- can be used by competent authorities in the assessment of other SREP elements
- provides specific insights into governance and systems supporting ICAAP and ILAAP

ILAAP specific information

- Information on liquidity and funding risk management framework
- Information on funding strategy
- Information on strategy regarding liquidity buffers and collateral management
- Information on the cost benefit allocation mechanism
- Information on intraday liquidity risk management
- Information on liquidity stress testing
- Information on the contingency funding plan
- Supporting documentation

This information:

- is essential to assess the ILAAP framework and its implementation into day-to-day use
- is essential input for the purposes of assessment of liquidity and funding risk management and liquidity adequacy
- split between methodology and policy documents and operational documents
- should be supported by evidence of ILAAP set-up (e.g. policies) and implementation (e.g. reporting)

ICAAP-specific information

- Information on the overall ICAAP framework
- Information on risk measurement, assessment and aggregation
- Information on internal capital and capital allocation
- Information on capital planning
- Information on stress testing in ICAAP

This information :

- is essential to assess ICAAP framework and its use
- is essential to assess reliability of ICAAP estimates
- is split between methodology and policy documents and operational documents
- should be supported by evidence of ICAAP set-up and implementation

Conclusions and quality assurance

- Conclusions from ICAAP and ILAAP
- Information on made/planned changes to risk management, business models, strategies or RAF,
- Information on made/planned changes to ICAAP and ILAAP frameworks
- Documents containing approvals from the management body regarding the internal capital and liquidity adequacy assessment
- Internal validation reports
- Internal audit reports

This information is:

- common to ICAAP and ILAAP
- essential to assess the use of ICAAP and ILAAP for internal management purposes

Next steps

- Guidelines are open for consultation ending on 11 March 2016
- Planned finalisation H2 2016:
 - Guidelines would fully apply for 2017 cycle of SREP and joint decisions
 - competent authorities may use the Consultation Paper as a basis for their ICAAP and ILAAP information collections already in 2016

Questions for discussion

1. What are your views on the proposed approach to ICAAP and ILAAP information collection process?
2. What are your views on the proposed information content for ICAAP and ILAAP submissions?
3. What are your views on how the principle of proportionality has been applied in the draft Guidelines (both process and content)?



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