

PRA-EBA Disclosure Guidelines

In-force 15/10/15

*Governance,
Risk,
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<http://www.bankofengland.co.uk/prd/Pages/crdiv/updates.aspx>

A KnowCo Regulatory Digest

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- The new guidelines do not impose more frequent or additional disclosures...
- ...but disclosure can no longer be a mechanistic or tick-box exercise.
- Banks must be able to *evidence regular assessment*, promoted by *a disclosure policy which is Board-approved...*
- ...and supported by a *documented process*.
- That assessment should *address each relevant disclosure...*
- ...and pay particular attention to the possible need for more frequent disclosure of own funds, capital requirements, risk exposure and other *items prone to rapid change*
- Using the waiver provisions in the CRR to omit required disclosure on the grounds of confidentiality, immateriality or competitive disadvantage is discouraged, and must be justifiable, for documented reasons
- Disclosure must be ‘user-centric’ and dynamic, i.e. it must respond to changing circumstances.

- “On June 29th 2015, the PRA confirmed that [all CRR] firms are required to comply with EBA Guidelines on materiality, proprietary and confidentiality on disclosure frequency from October 15th 2015
- The EBA asks national competent authorities to implement the Guidelines by incorporating them in their supervisory procedures within six months after their publication ... and to ensure that firms fully comply with the Guidelines for all transactions entered into thereafter.
- The PRA has notified the EBA of its intention to comply and intends to incorporate the Guidelines into its supervisory procedures
- *The PRA expects firms to adjust their disclosure policies accordingly to comply fully with the Guidelines for all transactions entered into from October 15th 2015”*

- In assessing materiality of an item of information, institutions should at minimum consider the following on a regular basis and at least once a year:
 - both qualitative and quantitative disclosure requirements must be assessed
 - materiality should be assessed at the level of each individual disclosure requirement and on an aggregate basis
 - materiality should be a user-centric concept : a disclosure requirement may not be material for the institution but may be material for users
 - materiality is institution-specific: it should depend on the specific characteristics, activities, risks and risk profile of an institution and *not its size, its relevance in the domestic market or its market share*
 - materiality is a dynamic concept and may therefore be applied differently to different disclosures over time

- In assessing the proprietary nature of an item of information, institutions should take into account the following:
 - *cases where information is assessed as proprietary should be exceptional, and should relate to information that is so important that disclosure would significantly affect an institution's competitive position*
 - *a general risk of a potential weakening of competitiveness due to disclosure should not, on its own, be seen as sufficient reason for avoiding disclosure.* Specific reasoning should be available, based on an analysis of the incidence of disclosure of proprietary information
 - the disclosure waiver related to proprietary information should not be used to avoid disclosing information that would disadvantage an institution in the market because that information reflects an unfavourable risk profile

- The EBA has found in its recent Pillar 3 disclosures assessment that most institutions disclose regulatory information on a quarterly basis, even if not required to do so
- Article 433 ... specifies that institutions shall assess the need to publish some or all disclosures required ... more frequently than annually in the light of the relevant characteristics of their business such as
 - scale of operations,
 - range of activities,
 - presence in different countries,
 - involvement in different financial sectors,
 - participation in international financial markets
- That assessment should pay particular attention to the possible need for more frequent disclosure of items of information related to own funds, capital requirements, risk exposure and other items prone to rapid change

- In assessing the confidential nature of an item of information, institutions should take into account the following:
 - *cases where information is assessed as confidential should be exceptional.* It may be the case, for instance, where an economic sector is so concentrated that disclosing exposures on that sector would result in divulging exposures to a counterparty
 - a general reference to confidentiality is not a sufficient reason to avoid disclosure: institutions should identify specifically and analyse to what extent the disclosure of a specific item of information would affect the rights of their customers or counterparties or would constitute a breach of legally established confidentiality obligations. The input of an institution's legal unit or of any legal expert should be considered while performing this analysis.

- When adopting *formal policies on the disclosure requirements*, including their frequency, institutions should consider all the recommendations included in the guidelines
- The process should as a minimum:
 - *be approved by the institution's management body or a designated committee thereof*
 - identify the organisational units, the senior management or committees thereof and staff responsible for designing, implementing and reviewing the policies on materiality, proprietary and confidentiality, and on disclosure frequency
 - ensure the input of all the relevant units and functions, indicatively the risk management functions, the compliance unit and other relevant function
 - *define an adequate reporting process* regarding the implementation of the policies
 - determine the appropriate level of transparency for each disclosure waiver [if any]

KnowCo is a specialist UK-bank support resource for:

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- ILAAP,
- Risk Appetite Statement development and enhancement,
- RRP,
- Regulatory Disclosure,
- Business Planning and Modelling, and
- Risk Management Policies, Processes and Assurance

Our intuitive and transparent ALM software facilitates compliance with regulatory requirements for:

- Credit risk capital (Pillars 1 and 2) stress-testing and management
- IRRBB stress-testing and management
- Liquidity risk stress-testing and management
- Funds Transfer Pricing and
- Strategic business modelling

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