Il termometro dei mercati finanziari (7 settembre 2018)

a cura di Emilio Barucci e Daniele Marazzina

08/09/2018 10:45

L'iniziativa di Finriskalert.it "Il termometro dei mercati finanziari" vuole presentare un indicatore settimanale sul grado di turbolenza/tensione dei mercati finanziari, con particolare attenzione all'Italia.

07-set-18	Legenda					
Valutazione complessiva		Calma		↑	in miglioramento	
		Turbolenza		↔	stabile	
		Tensione		↓	in peggioramento	
Mercati italiani	07-set	31-ago	24-ago	17-ago	10-ago	Tendenza
Rendimento borsa italiana	0.88	-2.28	1.60	-3.20	-2.30	↑
Volatilità implicita borsa italiana	20.60	20.05	18.40	20.46	20.00	↓
Future borsa italiana	20320	20225	20730	20420	21040	↔
CDS principali banche 10Ysub	467.82	493.91	469.78	475.34	474.46	↑
Tasso di interesse ITA 2Y	0.94	1.49	1.24	1.29	1.18	↑
Spread ITA 10Y/2Y	1.94	1.75	1.90	1.83	1.82	↔
Mercati europei	07-set	31-ago	24-ago	17-ago	10-ago	Tendenza
Rendimento borsa europea	-2.93	-1.01	1.62	-1.56	-1.61	↓
Volatilità implicita borsa europea	14.60	13.88	12.63	14.22	13.49	↓
Rendimento borsa ITA/Europa	3.81	-1.27	-0.02	-1.65	-0.69	↑
Spread ITA/GER	2.49	2.91	2.80	2.82	2.67	↑
Spread EU/GER	0.88	0.98	0.94	0.97	0.92	↑
Politica monetaria, cambi e altro	07-set	31-ago	24-ago	17-ago	10-ago	Tendenza
Euro/Dollaro	1.16	1.16	1.16	1.14	1.14	↔
Spread US/GER 10Y	2.55	2.52	2.48	2.57	2.54	↔
Euribor 6M	-0.269	-0.268	-0.266	-0.266	-0.266	↔
Prezzo Oro	1198	1203	1207	1179	1215	↔
Spread 10Y/2Y Euro Swap Curve	1.03	1.00	1.01	1.01	1.01	↔

Significato degli indicatori

- Rendimento borsa italiana: rendimento settimanale dell'indice della borsa italiana FTSEMIB;
- Volatilità implicita borsa italiana: volatilità implicita calcolata considerando le opzioni at-the-money sul FTSEMIB a 3 mesi;
- Future borsa italiana: valore del future sul FTSEMIB;
- CDS principali banche 10Ysub: CDS medio delle obbligazioni subordinate a 10 anni delle principali banche italiane (Unicredit, Intesa San Paolo, MPS, Banco BPM);
- Tasso di interesse ITA 2Y: tasso di interesse costruito sulla curva dei BTP con scadenza a due anni;
- Spread ITA 10Y/2Y : differenza del tasso di interesse dei BTP a 10 anni e a 2 anni;
- Rendimento borsa europea: rendimento settimanale dell'indice delle borse europee Eurostoxx;
- Volatilità implicita borsa europea: volatilità implicita calcolata sulle opzioni at-the-money sull'indice Eurostoxx a scadenza 3 mesi;
- Rendimento borsa ITA/Europa: differenza tra il rendimento settimanale della borsa italiana e quello delle borse europee, calcolato sugli indici FTSEMIB e Eurostoxx;
- Spread ITA/GER: differenza tra i tassi di interesse italiani e tedeschi a 10 anni;
- Spread EU/GER: differenza media tra i tassi di interesse dei principali paesi europei (Francia, Belgio, Spagna, Italia, Olanda) e quelli tedeschi a 10 anni;
- Euro/dollaro: tasso di cambio euro/dollaro;
- Spread US/GER 10Y: spread tra i tassi di interesse degli Stati Uniti e quelli tedeschi con scadenza 10 anni;
- Prezzo Oro: quotazione dell'oro (in USD)
- Spread 10Y/2Y Euro Swap Curve: differenza del tasso della curva EURO ZONE IRS 3M a 10Y e 2Y;
- Euribor 6M: tasso euribor a 6 mesi.

I colori sono assegnati in un'ottica VaR: se il valore riportato è superiore (inferiore) al quantile al 15%, il colore utilizzato è l'arancione. Se il valore riportato è superiore (inferiore) al quantile al 5% il colore utilizzato è il rosso. La banda (verso l'alto o verso il basso) viene selezionata, a seconda dell'indicatore, nella direzione dell'instabilità del mercato. I quantili vengono ricostruiti prendendo la serie storica di un anno di osservazioni: ad esempio, un valore in una casella rossa significa che appartiene al 5% dei valori meno positivi riscontrati nell'ultimo anno. Per le prime tre voci della sezione "Politica Monetaria", le bande per definire il colore sono simmetriche (valori in positivo e in negativo). I dati riportati provengono dal database Thomson Reuters. Infine, la tendenza mostra la dinamica in atto e viene rappresentata dalle frecce: ↑, ↓, ↔ indicano rispettivamente miglioramento, peggioramento, stabilità.

Interest rates volatility in the insurance liabilities evaluation

di Silvia dell'Acqua

08/09/2018 14:50

Under Solvency II (SII), insurance and reinsurance companies have to evaluate their assets and liabilities following harmonized principles, among which the discounting of the liabilities cash flows through a risk free interest rates yield curve, that EIOPA has been publishing on a monthly basis since February 2015. The Authority does not state anything else regarding the future evolution of the risk free yield curve or the volatility it should show, which count a lot in the determination of the liabilities value.

If the liabilities were characterized by having no optionality, their present value could be easily calculated discounting the cash flows though the deterministic yield curve provided by EIOPA; in truth, insurance products usually offer a guarantee on a minimum level of return credited to policyholder fund. This optionality must be priced in a risk neutral framework, likely making use of Monte Carlo simulations. Whatever model is chosen to project the shape of the interest rates in the future, it must satisfy the risk neutrality principle (i.e. all the assets are expected to earn, on average, the risk-free rate). Roughly speaking, this means that, if we consider an asset that is worth X euros in t=0 and capitalize and discount it over the N paths of the projected interest rates, the average value of the N evaluations should be X. Although, Liabilities cash flows are not that simple and the volatility of the projected rates plays an important role when defining the value of the optionality they embed. The Interest Rate (IR) model adopted is calibrated such that the projected interest rates are Market Consistent (MC), that is, capable of replicating some Implied Volatilities (IVs) quoted in the market. The question is: which IV shall be targeted? It is worth noticing that we move from talking about the volatility of the interest rates, used to price the optionality (and therefore the IV) of the liabilities to a different IV, that comes from the market, from completely different types of options. When thinking about the market, another important piece of information is that the price of an instrument is unique, while its IV depends on certain assumptions: it is implied by a specific formula. Another key element is that prices are the unique quantity definable via Monte Carlo simulation, while IV shall be derived from the former.

The SII regulation does not provide any answer and the choice is left to the insurance and reinsurance undertakings, which can select the IR model they prefer and its market target for the calibration purposes. Actually, the Standard Formula does not even consider the IR volatility as a risk.

The IVs quoted in the market are those of the Cap, Floor and Swaption contracts, all the three being defined over an Interest Rate Swap (IRS).The IRS is a derivative instrument where two parties agree to exchange IR cash flows from a fixed () to a floating () rate, or vice versa. The IRS is called payer/receiver when the fixed rate is paid/received. The fixed rate that makes the contract fair is called forward swap rate and is equal to:

$$K^{fair} = S_{T,T+n}(t) = \frac{P(t,T) - P(t,T+n)}{\sum_{i=1}^{n} P(t,T+i)}$$

where is the time when the contract starts and the number of years it lasts.

Caps and Floors can be respectively seen as options on a payer/receiver IRS, where the money exchange is set in favorable circumstances only. The present value of the payoff of a Cap is:

$$\sum_{i=1}^{n} DF(0,T+i) * \max[0, L(T+i) - K]$$

Caps can be used for hedging purposes when one is debtor of the floating rate . Indeed, when holding such a contract, the whole exposition becomes , that does not exceed the fixed rate . Caps and Floors are made up of sequences of Caplets and Floorlets, each one defined over a certain époque and referred to a certain forward rate. A Cap contract is said to be ITM (In), ATM (At) or OTM (Out of The Money) when K is respectively <, = or > than the fair value, and the difference between K and the fair value is called moneyness, so

$$K^{fair} = S_{T,T+n}(t) \text{ and } moneyness = K - K^{fair}$$

A payer/receiver Swaption contract is an option granting its owner the right but not the obligation to enter in into an underlying payer/receiver IRS of tenor . The actual value of a payer Swaption is:

$$DF(t,T) * max\left[0, \sum_{i=1}^{n} \mathrm{P(T,T+i)} * (L(T+i) - K)\right]$$

Because of the Jensen inequality, this value is never grater that the Cap correspondent one. Likewise the Cap, a payer Swaption is said to be ITM, ATM or OTM when the strike K is respectively <, = or > than .

$$K^{fair} = S_{T,T+n}(t)$$

Until the recent past (say, before the negative rates appeared), both Caps/Floors (considered as sum of Caplets and Floorlets) and Swaptions were priced using the Black formula, supposing a lognormal distribution respectively for the forward rates and the forward swap rate. Although widely used in the market, the two pricings were incoherent, being the forward swap rate defined as a weighted average of the forward rates and the being the sum of aleatory variables with lognormal distribution not lognormal distributed (i.e. the two assumptions on the distributions of the

rates cannot hold true together). As the price of a Swaption depends on the forward swap rate, knowing the volatilities of the single forward rates is no longer sufficient for the evaluation and information about the forward rates joint distribution and the correlation between different maturities are needed. Because their price embeds more information, Swaption contracts are often preferred to Caps when setting the market target for the calibration of the IR models.

Given a unique price of a Swaption, there are three types of IV quoted in the market, based on different assumptions on the distribution (Lognormal, Displaced Lognormal or Normal) of the swap forward rate:

- LN-SIV are defined as a relative change of the forward swap rate (bigger changes for higher YC)

$$dS_{T,T+n}(t) = S_{T,T+n}(t) * \sigma^{LN} * dW(t)$$

- DLN-SIV are defined as a relative change of the displaced forward swap rate

$$d\tilde{S}_{T,T+n}(t) = \tilde{S}_{T,T+n}(t) * \sigma^{DLN} * dW(t)$$
$$\tilde{S}_{T,T+n}(t) = S_{T,T+n}(t) + displacement$$

- N-SIV are defined as an absolute change of the forward swap rate, independent of its level

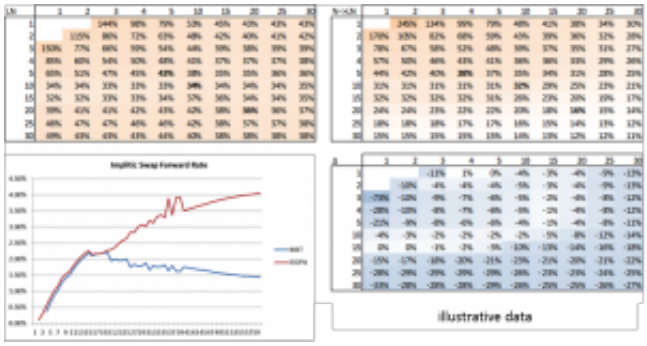
$$dS_{T,T+n}(t) = \sigma^{N} * dW(t)$$

All the three are linked by the value of the underlying forward swap rate and, roughly speaking, there are 2 order of magnitudes between the former and the latter. Even though the relationship is not given by a simple rescaling and it is not linear, a good approximation to keep in mind is:

$$\sigma^{N} = \sigma^{LN} * S_{T,T+n}(t)$$

The recent past market environment, characterized by a number of tenors whose rate was negative, has questioned the use of LN-IV: negative/close to zero forward swap rates turn into not defined/extreme IV, which make the calibration of any IR model very challenging and potentially inaccurate.

N-IV has started to catch on, with the additional benefit of mitigating the distortion that comes from applying a market IV to a Yield Curve (YC) that is different from the market one. Indeed, the IV quoted in the market refer to the market swap YC, while the IR models used for the liabilities evaluation are based on the published EIOPA YC (much higher on the long term due to the convergence to the UFR). The misalignment of applying a certain IV (that refers to the market YC) to a higher YC (the EIOPA one) is exacerbated when LN-IV are adopted, as they are proportional to the level of the rates. The usage of N-IV in place of LN ones helps in taming the volatility embedded in the projected rates, that affects the TVOG, normally increasing the BEL value. The following picture clarifies the statement, by comparing the market ATM LN Swption IV (implicit in the market rates) to those derived from the N-IV when the EIOPA YC is used: the latter are smaller because, given the same N-IV, a higher rate appears as denominator.



After having concluded that Swaptions are more exhaustive than Caps and, in this context, N-IV are more appropriate than LN-IV, a question is left: when calibrating an IR model, which data shall be considered as target among all those available for the Swaption N-IV (N-SIV) cube (option maturity , IRS tenor , moneyness) at a certain reference date?

Let's try not to forget the original goal: determining a value for the Liabilities, that embed a degree of optionality, priced via Monte Carlo methods. The market data chosen as target drive the calibration of the IR model chosen and, in turn, the projected rates and their distribution. Different sets of projected rates give origin to different liability values. Setting a certain target is nothing else than deciding on the properties the projected rates should have, including their volatility, keeping in mind that the IV of the liabilities will not be equal to the IV of the Swaptions as the liabilities are not Swaption contracts.

Being the N-SIV quite smoothed, there is potentially no contraindication in setting the whole SIV cube as target but the runtime needed to carry out the IR model calibration: it is a matter of balance between calibration speed and fitting accuracy, which also depends on the IR model adopted. Deciding on which data to consider introduces a degree of subjectivity and exposes one to the risk/benefit of choosing some points rather than others. What if the others matters more? On the other hand, along with reducing the runtime, the selection of a subset of data may help in discarding unrepresentative or inaccurate data points, not consistent with the surrounding ones.

Once the relevant data have been chosen, the last question is: shall they all be weighted the same way or should some of them count more than others? The easiest possibility is to assign uniform weights to all the points considered, while a more subjective one is to decide on which SIV triples should count more. There is no contraindication of going for the first choice, while the latter introduces again a degree of subjectivity. A possibility for defining a not uniform weighting scheme would be to derive it from the liabilities' profile, but it would be a more complex approach, less stable over time and subject to introducing sensitivity between rates levels and volatilities (the

liability profile depends on the level of the rates and so the derived weights, which will drive the next calibration, like the tail wagging the dog). In addition to that, one should remember that there is no direct link between liabilities and Swaption contracts: the IV quoted in the marked for the Swaptions are not becoming IVs for the liabilities.

Having said that, in case liability driven weights was still the favorite option, an insurance company should define a parallelism between the financial optionality and that embedded in insurance products to derive the option maturities, IRS tenors and moneyness it is more exposed to. To this aim, only contracts with of a minimum guaranteed rate shall be considered. A "with profit" contract, where the policyholder has the right to get a minimum guaranteed rate in case of lapse/death/maturity, could be compared to a Long European Swaption as the policyholder may chose a fixed payout at the end of his contract or a variable benefit if he takes the money and invests it at the risk-free rate; from the perspective of the insurance company, this contract would be comparable to is a Short European Receiver Swaption. One can think of:

- the option maturity (T) as the time in which the policyholder can decide to leave the contract
- IRS tenor (n) as the residual time since the policyholder has left the contract till its original maturity
- the moneyness of the option (r_mg) as the difference between the minimum guaranteed rate (moneyness) and the swap forward rate S(T,T+n). In a market environment characterized by low yields and high guarantees, the liabilities would be more exposed to OTM Swaptions on the short term (a rational policyholder would prefer to stay in the contract and get the minimum guaranteed rate rather than reinvest the benefit in the market at the risk-free rate, which is lower) and to ITM Swaptions on the long term (when the market rates are higher than the guaranteed one).

To put into effect this parallelism between insurance policies and financial contracts, one needs derive a 3D matrix (T,T+n,moneyness) starting from a 1D projection of mathematical reserves and outgo cash flows for the maturity only CF(t,MAT.OUT). The mathematical reserves are used as the best proxy of the amount of money the policyholder will get in case of lapse (exercise of the option), while maturity outgoes are considered being the only outgo cash flows where the policyholder can exercise an option (neither death cash flows are considered as the policyholder cannot decide to die/survive, nor annuity cash flows are, because, when paid, they correspond to a decision already made by the policyholder — staying in the contract and not leaving getting a lump sum).

- both V(t) and CF(t,MAT.OUT) can be split by r_mg, from which one can derive the moneyness (that gives the 3rd dimension)

$$moneyness = K - K^{fair}$$

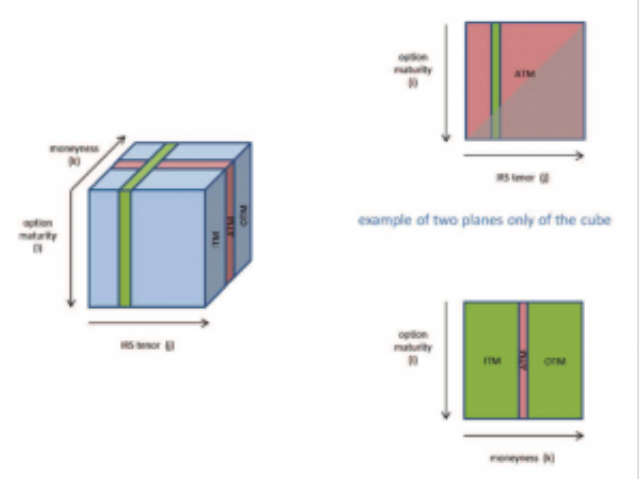
- given a certain r_mg, to transform the 1D projection into a 2D matrix one has to "recycle" the data "moving in time"
- the first dimension (T) is naturally given by the "move in time"
- the exposure of the Liabilities to the IRIV risk is given by the amount of mathematical reserves that the policyholders can withdraw at that time (T), given the lapse rate as the base one

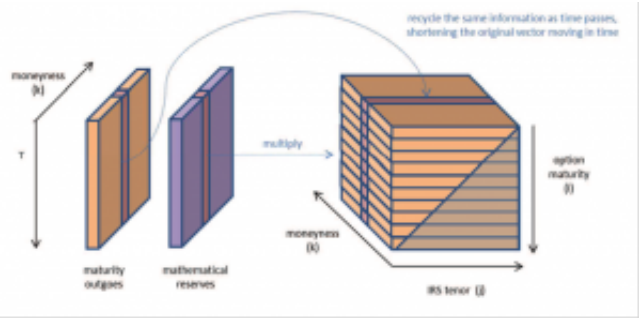
$$\mathrm{row}_i = (V_i * DF_i)/(V_0 * DF_0)$$

- at each (T), the second dimension (T+n) is given by the amount of contract in place at time e that are expiring in (T+n) — one moves in time considering for each row (i+1) a subset of the data used in (i), removing the first element

$$\mathrm{col}_{i,j} = \left(CF_{i+j}^{MAT.OUT} * DF_{i+j}\right)/\sum_j CF_{i+j}^{MAT.OUT} * DF_{i+j}$$

As the SIV cube does not include all the possible triples, the data without a correspondence have to be assigned to the nearest existing labels (e.g. tenor 6 is split equivalently to tenor 5 and tenor 7), in a "condensation" process. Even though it is be possible to identify the whole cube, the entries may be further condensed into a limited number of triples, which have been defined as target.





As already stated, the parallelism between financial and insurance options is just a parallelism that undergoes a number of simplifications, among which:

- ignoring additional payments on top of the minimum

guaranteed amounts (that happen because of the profit sharing) as well as fiscal benefits or penalties in case of early surrender

- the surrender date is not set at maturity only: policyholders can surrender at any time until maturity (it would be more similar to a Bermudan option rather than to a European Swaption)
    - it is not exactly clear whether an insurance contract shall be addressed as payer or receiver option: looking at the payoff, the payer label would fit more (max(0,L-K)), but from a definition perspective the policyholder actually receives from the insurance company a fixed amount, that than exchanges with a third party (the market).

European Banking Union: an enabling environment for pan-European banks

08/09/2018 16:22

Peter Praet, Member of the Executive Board of the ECB, at the Eurofi Financial Forum 2018, enlightened the importance of the Banking Union as the final objective of financial integration.

The European Union has now have a single supervisor and a single resolution authority, and banks are subject to the same European rulebook. The Banking Union contributes to providing effective mechanisms for cross-border risk-sharing and broadening the sources of funding within a country, thereby promoting macroeconomic stability and growth.

Mr Praet followed by listing the major obstacles hindering the fungibility of capital and liquidity of banking groups. Very often, these obstacles relate to regulatory fragmentation and ring-fencing of national markets. Further harmonisation would help to address many of the issues, while appropriate prudential safeguards can be put in place to address possible financial stability concerns by national authorities.

First, a number of national options and discretions are hindering the practical application of cross-border liquidity waivers within the Union. While such waivers are explicitly allowed by the CRR, and already contain prudential safeguards, so far the ECB has received almost no application for their use from the banks it supervises. An important reason for this lack of applications is the existence of national large exposure limits on intragroup exposures in several European countries. These limits prevent institutions in these countries from transferring liquidity within the group in a flexible manner and thus represent practical obstacles to the use of liquidity waivers. Effectively, they are hindering the free flow of liquidity in the Banking Union and should be harmonised further.

Second, the proposal to have cross-border capital waivers within the EU was not taken forward in the on-going review of the CRR, which is a missed opportunity. Such waivers would be consistent with the establishment of the SSM and the Banking Union and help to support the free flow of capital across the Union. On the one hand, it is understandable that some national authorities are concerned about the possible financial stability implications of the proposal. On the other hand, such concerns could be addressed by making the waivers subject to additional prudential safeguards, and by putting in place appropriate transition arrangements that account for the planned further progress on the Banking Union.

Third, the major progress we have made in our Banking Union needs to be recognised also in the international regulatory framework. For example, the G-SIB framework currently penalises cross-border transactions within the Banking Union by attaching a higher systemic risk score to banks with more of such transactions. This goes against the very rationale of the Banking Union, as it reduces the incentives for cross-border transactions and risk diversification. The international regulatory framework should recognise the progress that has been made in the Banking Union and exclude intra Banking Union positions from the cross-jurisdictional indicators in the G-SIB methodology.

Fourth, there are also some resolution related aspects that warrant further consideration. In particular, the allocation of internal MREL has turned out to be an area of tension between national jurisdictions. Jurisdictions with a foreign bank subsidiary prefer to have a high pre-positioning of internal MREL to ensure an orderly resolution of its local subsidiary. However, this implies a certain degree of ring-fencing to the detriment of the foreign parent bank. The compromise reached by Member States in the Council only allows that internal MREL is waived if the resolution entity and the subsidiary are located in the same Member State, neglecting the fact that we have achieved so much in terms of joint supervision and resolution among euro area countries. To account for this progress, internal MREL waivers on a cross-border basis in the Banking Union should be allowed as this would contribute to continuous cross-border banking, e.g. by generating efficiency gains and promoting further integration. Therefore, it should also be possible to use guarantees to replace internal MREL and allow for more flexibility in the allocation of resources within the Banking Union. Of course, to install confidence it will be important to have adequate safeguards in place, including that there is no legal or practical impediments to the provision of support by the parent to the subsidiary, in particular when the resolution action is taken.

ESMA renews prohibition on retail sales of binary options

08/09/2018 16:07

The European Securities and Markets Authority (ESMA) has agreed to renew the prohibition of the marketing, distribution or sale of binary options to retail clients, in effect since 2 July, from 2 October 2018 for a further three-month period. ESMA has also agreed on the exclusion of a limited number of products from the scope of the measure.

ESMA has carefully considered the need to extend the intervention measure currently in effect. ESMA considers that a significant investor protection concern related to the offer of binary options to retail clients continues to exist. It has therefore agreed to renew the prohibition from 2 October.

During its review of the intervention measure, ESMA considered

the specific features of binary options currently within the scope of the measures. Certain binary options were found to have specific features which mitigate the risk of investor detriment, namely; they are sufficiently long-term (at least 90 days); are accompanied by a prospectus; and are fully hedged by the provider or another entity within the same group as the provider. ESMA considers that a binary option that benefits from the cumulative effect of these three criteria is less likely to lead to a significant investor protection concern.

In addition, products that at the end of the term have one of two predetermined pay-outs, neither of which is less than the initial investment of the client, will be excluded. The pay-out for this type of binary option could be the higher or lower one but in either circumstances the investor would not lose money compared to their total investment. As the investor's capital is not at risk these products should be explicitly excluded.

Hence, ESMA agreed to exclude from the scope of the renewal the following binary options:

- a binary option for which the lower of the two predetermined fixed amounts is at least equal to the total payment made by a retail client for the binary option, including any commissions, transaction fees and other related costs; and
- a binary option that meets cumulatively the following three (3) conditions:
    - (a) the term from issuance to maturity is at least ninety (90) calendar days;
    - (b) a prospectus drawn up and approved in accordance with the Prospectus Directive (2003/71/EC) is available to the public; and
    - © the binary option does not expose the provider to market risk throughout the term of the binary option and the provider or any of its group entities do not make a profit or loss from the binary option, other than previously disclosed commissions, transaction fees or other related charges.

ESMA will continue to keep these products under review during the prohibition period. The renewal was agreed by ESMA's Board of Supervisors on 22 August 2018.

Incentives to centrally clear OTC derivatives: evaluating the G20 regulatory reforms

08/09/2018 15:57

The Financial Stability Board (FSB), the Basel Committee on Banking Supervision (BCBS), the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) examined the effects of G20 financial regulatory reforms on the incentives to centrally clear over-the-counter (OTC) derivatives.

The central clearing of standardised OTC derivatives is a pillar of the G20 Leaders' commitments to reform OTC derivatives markets in response to the financial crisis. A number of post-crisis reforms are, directly or indirectly, relevant to incentives to centrally clear. A large majority of the relevant international standards have been agreed upon and are being implemented. This evaluation is the second using the FSB framework for the post-implementation evaluation of the effects of the G20 financial regulatory reforms.

The report concludes that the reforms — particularly capital requirements, clearing mandates and margin requirements for non-centrally cleared derivatives — are achieving their goals of promoting central clearing, especially for the most systemic market participants. This is consistent with the goal of reducing complexity and improving transparency and standardisation in the OTC derivatives markets. Beyond the systemic core of the derivatives network of CCPs, dealers/clearing service providers and larger, more active clients, the incentives are less strong.

The report identifies reform areas that may merit consideration by the relevant standard-setting bodies (SSBs). The findings from the report will inform relevant SSBs regarding any subsequent policy efforts and potential adjustments, bearing in mind the original objectives of the reforms. This does not imply a scaling back of those reforms or an undermining of members' commitment to implement them.

Incentives to centrally clear over-the-counter (OTC) derivatives (PDF)

EBA publishes QIS templates to assess the impact of the finalised Basel III standards

08/09/2018 15:47

The European Banking Authority (EBA) released today the two sets of templates, which will be used in the 2018 impact assessment of the finalised Basel III standards. These two sets of quantitative impact study (QIS) templates, which build on the Basel III regular monitoring templates, will ensure that the data collection burden is proportionate to the institutions' size and complexity.

Following the European Commission's Call for Advice on the European impact and implementation of the revisions to the Basel III standards agreed by the Basel Committee on Banking Supervision (BCBS) in December 2017, the EBA launched, on 13 August 2018, a data collection exercise, which runs in parallel with Q2-2018 EBA-BCBS Basel III regular monitoring exercise.

To ensure that this data collection, which covers a wider sample of institutions, remains proportionate to the size and complexity of each institution, the EBA distributed two different types of QIS templates, which build on and expand the EBA-BCBS Basel III regular monitoring templates.

In particular, the 'full' template was distributed to all banks participating in the Q2-2018 EBA-BCBS monitoring exercise and to those banks that only participate in the Call for Advice data collection that are large (as defined by Tier 1 capital higher than EUR 1.5 billion).

The 'reduced' template was distributed to banks participating

only in the Call for Advice data collection that are medium or small (as defined by Tier 1 capital equal or lower than EUR 1.5 billion).The two sets of templates available for download are for information purposes only. Banks participating in the data collection should only use templates they received from their Competent Authority.

EBA QIS 2018 Template Instructions Data collection for the Call for advice for the implementation of the revision of Basel III framework (PDF)
