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COVER NOTE

From:	Mr José Manuel CAMPA, Chairperson of the European Banking Authority (EBA)
date of receipt:	20 October 2021
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
Subject:	Submission by the EBA of final draft Regulatory Technical Standards (RTS) on gross jump-to-default (JTD) amounts and on residual risk add-on (RRAO)

Delegations will find attached, for information, a letter regarding the subject mentioned above.

The full texts of the final draft RTS can be viewed here on the EBA website:

Regulatory Technical Standards (RTS) on gross jump-to-default (JTD) amounts

https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Draft%20Technical%20Standards/2021/RTS%20on%20gross%20JTD%20amounts%20/1022461/EBA-RTS-2021-09%20%28Final%20draft%20RTS%20on%20gross%20JTD%20amounts%29.pdf

Regulatory Technical Standards (RTS) on residual risk add-on (RRAO)

https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Draft%20Technical%20Standards/2021/RTS%20on%20residual%20risk%20add-on/1022462/Final%20Report%20on%20draft%20RTS%20on%20RRAO.pdf

Encl.

E-MAIL

THE CHAIRPERSON

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John Berrigan
Director General
Directorate-General for Financial Stability,
Financial Services and Capital Markets Union (FISMA)
European Commission
Rue de Spa 2
1000 Brussels
Belgium

20 October 2021

Subject: Submission of the draft RTS on gross jump-to-default (JTD) amounts for the purposes of Article 325w(8) of the CRR and the draft RTS on residual risk add-on (RRAO) for the purposes of Article 325u(5) of the CRR under the alternative standardised approach for market risk.

Dear Mr Berrigan,

In accordance with Article 325w(8) of Regulation (EU) No 575/2013 (the Capital Requirements Regulation, 'CRR'), as amended by Regulation (EU) 2019/876, the EBA is required to develop draft regulatory technical standards to specify:

- how institutions are to determine the components $P\&L_{long}$, $P\&L_{short}$, $Adjustment_{long}$ and $Adjustment_{short}$ when calculating the JTD amounts for different types of instruments in accordance with Article 325w;
- which alternative methodologies institutions are to use for the purposes of the estimation of gross JTD amounts referred to in Article 325w(7);
- the notional amounts of instruments other than the ones referred to in points (a) and (b) of Article 325w(4).

In addition, in accordance with Article 325u(5) of the CRR, as amended by Regulation (EU) 2019/876, the EBA is required to develop draft regulatory technical standards to specify:

- what an exotic underlying is and which instruments are instruments bearing residual risks for the purposes of Article 325u(2). When developing those draft regulatory technical standards, EBA shall examine whether longevity risk, weather, natural disasters and future realised volatility should be considered as exotic underlyings.

It is my pleasure to submit to you today these draft regulatory technical standards as endorsed by the EBA's Board of Supervisors. These standards were developed following the procedure described in Article 10 of Regulation (EU) No 1093/2010 (EBA Regulation). As previously agreed, the draft regulatory technical standards are attached in Legiswrite format.

In addition, the draft regulatory technical standards will be published on the EBA's public website.

I look forward to the completion of the process of adoption of the standards.

Yours sincerely,

José Manuel Campa

CC: Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs European Parliament
Claudia Lindemann, Head of ECON Secretariat
Andrej Šircelj, Slovenian Minister of Finance, President of the Rotating Council of the EU
Tuomas Saarenheimo, Chair of Economic and Finance Committee, Council of the European Union
Jeppe Tranholm-Mikkelsen, Secretary General of the General Secretariat, Council of the European Union
Martin Merlin, Director Dir D, Regulation and prudential supervision of financial Institutions, DG FISMA
Almoro Rubin De Cervin, Head of Unit D1, Bank Regulation and Supervision, DG FISMA
Dominique Thienpont, Legal Counsellor to Dir D, DG FISMA

Encl: EBA draft regulatory technical standards on gross JTD amounts for the purposes of Article 325w(8) of the CRR and draft regulatory technical standards on RRAO for the purposes of Article 325u(5) of the CRR under the alternative standardised approach for market risk in Legiswrite format.