

ANNEX III

SUPERVISORY REVIEW AND EVALUATION PROCESS (SREP)
List of templates
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General remarks on filling in templates in Annex III

When publishing information on the general criteria and methodologies, competent authorities shall not disclose any supervisory measures directed at specific investment firms, whether taken with respect to a single investment firm or to a group of investment firms.

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SUPERVISORY REVIEW AND EVALUATION PROCESS (SREP)⁽¹⁾

010	Date of the last update of information in this template		(31/12/2024)
020	<p>Scope of application of SREP (Article 36 of IFD)</p>	<p>Description of the competent authority's approach to the scope of application of SREP including:</p> <ul style="list-style-type: none"> -what types of investment firms are covered by/excluded from SREP. -a high-level overview of how the competent authority takes into account the principle of proportionality when considering the scope of SREP and frequency of assessment of various SREP elements⁽²⁾. 	<p>Since April 2023 EBA GL 2022 09 - ESMA 35 42 1470 has been implemented on Class 2 and 3 IFs. According to Regulation on IFs supervision entered into force on December 2022 (https://www.bancaditalia.it/compiti/vigilanza/normativa/archivio-norme/regolamenti/20221223/Regolamento_in_materia_di_vigilanza_sulle_SIM_versione_integrale_al_1_aggiornamento.pdf) and in line with the Consolidated Law on Finance (CLF), Art. art. 6, co. 1 (https://www.consob.it/documents/718268/6018868/fr_decree58_1998.pdf/2b150ede-5a02-e7c2-cccf-eda0f8cfe232?t=1740652027953) SREP includes Class 2 IFs (on individual basis and on consolidated basis Class 2 IFs included in investment firms or banking group's with an Italian parent holding company) and Class 3 IFs (on individual basis). SREP is performed according to the proportionality principle that implies a degree of supervisory scrutiny proportionate to the activities performed by the IF, its dimension and the overall level of risks to which the IF is exposed, as assessed in the latest available SREP score. The implementation of the proportionality principle implies the distribution of the IFs into three priorities classes (1.High; 2. Medium; 3.Low) which involve decreasing levels of supervision in terms of intensity, frequency and scope. Circular 269, Part I, Section I, Chapter I.</p>
030	<p>Assessment of SREP elements (Articles 36 of IFD)</p>	<p>Description of the competent authority's approach to the assessment of individual SREP elements-including:</p> <ul style="list-style-type: none"> -a high-level overview of the assessment process and methodologies applied to the assessment of SREP elements, including: (i) business model analysis; (ii) assessment of internal governance and investment firm-wide controls; (iii) assessment of risks to capital; and (iv) assessment of risks to liquidity; -a high-level overview of how the competent authority takes into account the principle of proportionality when assessing individual SREP elements⁽³⁾. 	<p>In full compliance with GL EBA ESMA SREP 2022/09, the SREP on IFs is performed taking into account the different business models of Italian IFs and the new prudential capital requirements introduced by the IFR/IFD package. The off-site analysis is performed according to a new methodology designed to assess RtC, RtF, RTM and Other Risk for Class 2 IFs. The risk assessment systems concerning the 1. Business model, 2. the internal control and governance system, 3. capital and 4. liquidity adequacy have been modified only as necessary to introduce the new framework. The overall SREP score is the weighted average of the scores assigned to the IF's business model, governance, capital and liquidity, where the score to the governance profile has the highest weight. Circular 269, Part I, Sez.III, Chapter X.</p>
040	<p>Review and evaluation of ICAAP and ILAAP (Articles 24 and 36 of IFD)</p>	<p>Description of the competent authority's approach to the review and evaluation of the additional own funds and specific liquidity requirements as part of the SREP, and, in particular, for assessing the reliability of additional own funds and liquidity calculations for the purposes of determining additional own funds and liquidity requirements including⁽⁴⁾:</p> <ul style="list-style-type: none"> -an overview of the methodology applied by the competent authority to review the internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment process (ILAAP) of investment firms; -information/reference to the competent authority requirements for submission of ICAAP and ILAAP-related information, in particular covering what information needs to be submitted; -information on whether an independent review of the ICAAP and the ILAAP is required from the investment firms. 	<p>The Regulation on IF supervision First Part, Title II, Ch.1, Section II provides that Class 2 IFs and Third-Country Branches similar to those, and at consolidated level, Class 2 IF groups, shall have in place sound, effective and comprehensive arrangements, strategies and processes to: i) assess and manage the risks to which IFs/IF groups are or might be exposed, including under stressed conditions; ii) assess on an ongoing basis the amounts, types and distribution of internal capital and liquid assets that they consider adequate to cover the nature and level of those risks. On the contrary, Class 3 IFs and Class 3 IF groups are waived from ICARAP obligations. On March 2024, in line with the above mentioned Regulation and the experience made in 2023 (first year of the new package implementation), the Class 2 IFs were asked to: - describe how they calculate their capital and income statement forecasts, their estimates on their internal capital needs under ordinary and stressed conditions ; - give particular attention to operational risks (namely IT, reputational and strategic risks not covered by regulatory capital requirements); - quantify the own funds needed to perform an orderly winding down.</p>
050	<p>Overall SREP assessment and supervisory measures (Articles 38 and 39 of IFD)</p>	<p>Description of the competent authority's approach to the overall SREP assessment (summary) and application of supervisory measures on the basis of the overall SREP assessment⁽⁵⁾.</p> <p>Description of how SREP outcomes are linked to the application of early intervention measures according to Article 27 of Directive 2014/59/EU and determination of conditions whether the investment firm can be considered failing or likely to fail according to Article 32 of that Directive⁽⁶⁾.</p>	<p>Consolidated Law on Finance (CLF), Art. 7, co. 2: https://www.consob.it/documents/718268/6018868/fr_decree58_1998.pdf/2b150ede-5a02-e7c2-cccf-eda0f8cfe232?t=1740652027953. The Bank of Italy can issue special provisions concerning capital adequacy, limitation of risk in its various forms and equity interests. In order to issue such provisions, the Bank of Italy considers SREP results with particular attention to corporate governance, internal controls and risks monitoring systems, including the quantitative assessment of internal capital and liquidity described in the ICARAP documents (when available).</p> <p>According to the overall score, the competent authority decides the supervisory measures or the early intervention measures (for IFs subject to the BRRD) according to the Regulation on IFs supervision Part 1, Title II, Ch. 1, Sec. III, para. 3 and 4.</p> <p>The Bank of Italy, after consulting CONSOB on subjects under its responsibility, may issue the measures indicated under Articles 69-noviesdecies and 69-vicies-semel of the Consolidated Law on Banking towards a IF in the case of the conditions indicated by article 69-otiesdecies of the Consolidated Law on Banking. The measures are adopted upon the proposal of CONSOB when the infringements concern provisions on compliance with which it supervises.</p> <p>Consolidated Law on Finance (CLF), Art. 55-quinquies https://www.consob.it/documents/718268/6018868/fr_decree58_1998.pdf/2b150ede-5a02-e7c2-cccf-eda0f8cfe232?t=1740652027953</p>

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(1) Competent authorities are to disclose the criteria and methodologies used in rows 020 to 040 and in row 050 for the overall assessment, in the form of an explanatory note as per the second column.

(2) The scope of SREP to be considered must be at a level of an investment firm and in respect of its own resources. A competent authority shall explain the approach used to classify investment firm into different categories for SREP purposes, describing the use of quantitative and qualitative criteria, and how financial stability or other overall supervisory objectives are affected by such categorisation. A competent authority shall also explain how categorisation is put in practice for the purposes of ensuring at least a minimum engagement in SREP assessments, including the description of the frequencies for the assessment of all SREP elements for different categories of investment firms.

(3) Including working tools e.g. on-site inspections and off-site examinations, qualitative and quantitative criteria, statistical data used in the assessments. Hyperlinks to any guidance on the website to be added.

(4) Competent authorities shall also explain how the assessment of the internal capital adequacy assessment process (ICAAP) and the internal liquidity assessment process (ILAAP) is covered by the minimum engagement models applied for proportionality purposes based on SREP categories as well as how proportionality is applied for the purposes of specifying supervisory expectations to ICAAP and ILAAP, and in particular, any guidelines or minimum requirements for the ICAAP and ILAAP the competent authorities have issued.

(5) The approach competent authorities apply to arrive at the overall SREP assessment and its communication to the investment firms. The overall assessment by competent authorities is based on a review of all the elements referred to in row 020 to 040, along with any other relevant information about the investment firm that the competent authority may obtain.

(6) Competent authorities may also disclose the policies that guide their decisions for taking supervisory measures (within the meaning of Article 18 of the IFD) and early intervention measures (within the meaning of Article 27 of the Bank Recovery and Resolution Directive (BRRD)) whenever their assessment of an investment firm identifies weaknesses or inadequacies that call for supervisory intervention. Such disclosures might include the publication of internal guidelines or other documents describing general supervisory practices. However, no disclosure is required regarding decisions on individual investment firms, to respect the confidentiality principle.

Furthermore, competent authorities may provide information regarding the implications if an investment firm violates relevant legal provisions or does not comply with the supervisory or early intervention measures imposed based on the SREP outcomes, e.g. it shall list enforcement procedures that are in place (where applicable).