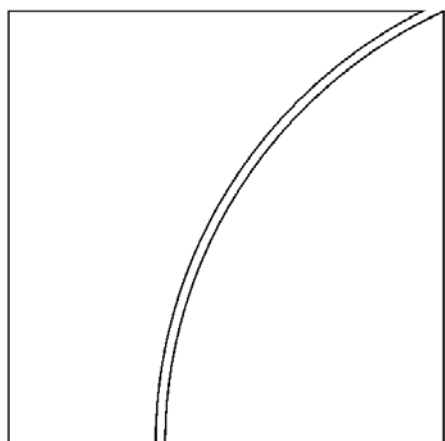


Basel Committee on Banking Supervision



Instructions for calculating capital requirements for bank default fund exposures to central counterparties

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Capital requirements for bank default fund exposures to central counterparties

Instructions to complete the spreadsheet “Input” for the calculation of Kccp and K*cm under Method 1 of the Interim Capitalisation Formula

To be completed by Central Counterparties (CCPs) only

There are 4 worksheets in the CCP Kccp and Capital Calculation Method 1 Template. CCPs are asked to fill in the data for the “Input” worksheet only. The rest of the calculation will be filled in automatically after all the data has been inputted.

1. “Summary” – A list of key summary statistics calculated and the values of given parameters used in the calculation.
2. “Input” – CCP data to be inputted by CCPs.
3. “Calculation” – Steps in the calculation of the capital requirements under Method 1.
4. “Glossary” – Glossary of terms in the “Calculation” worksheet.

(a) Filling in data for the worksheet “Input”

Data should only be entered in the yellow shaded cells. It is important to note that any modification to the worksheets might render the workbook unusable both for the validation of the final results and the subsequent aggregation process.

Where information is not available or not applicable, the corresponding cell should be left empty. No text such as “NA” should be entered in these cells.

Data should be reported in the local currency of which the CCP is located. The currency which has been used should be recorded in the top left corner of the “Input” worksheet. If 1,000 or 1,000,000 currency units are used for reporting, this should also be indicated in the same worksheet. When choosing the reporting unit, it should be considered that the worksheet shows all amounts as integers. The same currency and unit should be used for all amounts throughout the workbook, irrespective of the currency of the underlying exposures.

Percentages should be reported as decimals and will be converted to percentages automatically. For example, 1% should be entered as 0.01.

In the case that CCPs have not yet implemented some of the models and processes required for the calculations, or have of doubt on the meaning of certain input data fields, CCPs should discuss with the relevant national supervisor on how to proceed.

(b) Overall

One template should be completed for all cleared transaction types that share access to a common default fund. More specifically, for a CCP that clears more than one product which give rise to counterparty credit risk, and a common default fund is used to mutualise losses of defaulted clearing members, the CCP should complete only one template. Where a default fund is shared between products or types of business with settlement risk only (eg equities and bonds) and products or types of business which give rise to counterparty credit risk ie OTC derivatives, exchange traded derivatives or SFTs, all of the default fund contributions should be considered in the compilation of the template, without apportioning to different classes or types of business or products. Additionally, if a clearing member calculates one

initial margin across all its cleared products with a CCP, the CCP will have to allocate the initial margin to each of the following product type: derivatives, repo and reverse repo, and SFTs, in proportion to the respective product type EAD.

However, where the default fund contributions from clearing members are segregated by product types and only accessible for specific product types, a separate template must be completed for each specific product which gives rise to counterparty credit risk. In case the CCP's prefunded own resources are shared among product types, the CCP will have to allocate those funds to each of the product types, in proportion to the respective product specific EAD.

For determining capital requirement, data should be submitted for all members.¹ If the number of clearing members is greater than 80, the current maximum of the worksheet, CCP should increase the number of columns in the worksheet to accommodate the extra members. The last column, All Other Members, should be disregarded for calculation. Transactions with other CCPs should be treated as additional members. For example if transactions are cleared on behalf of two other CCPs, this will constitute data submission for two additional members.

(c) "Input" worksheet – financial derivatives

This section should include the total gross notional values for all over the counter and exchange traded derivatives cleared by the CCP in relation to category and maturity band.

Throughout these instructions:

- 'Gross mark to market' means the sum of max (0, positive mark-to-market values (this should not be offset with negative mark-to-market values), without off-set by collateralisation).
- 'Net mark-to-market' means the max (0, net sum of the positive and negative mark-to-market values, without off-set by collateralisation)

¹ If a CCP has more than 80 members, it should expand the number of columns in the "Input" worksheet to accommodate the extra number of members, and adjust the formula in the "Calculation" worksheet accordingly.

B1a. Total gross notional for non-option derivatives²

Row	Column	Heading	Description
14-34	D-CF	Total gross notional of the short positions	Panel B1a contains information requests for each member on each of the 7 asset classes, and within each asset class there are 3 residual maturity banks. Each of the bucket should be completed for each member. For each member, CCPs should provide the data for the following classification of financial derivatives and their maturity bands: interest rates; currency rates and gold; equities; precious metals; investment grade credit default swaps; non-investment grade credit default swaps; and other commodities (including energy products);
36-56	D-CF	Total gross notional of the long positions	Similar to the section above, except this section reports the notional value on the long positions.

B1b. Total mark-to-market values for non-option derivatives

Row	Column	Heading	Description
60	D-CF	Total mark-to-market value of positive positions	Sum of all mark-to-market values of positions in section B1a for which the mark-to-market value is positive.
61	D-CF	Total mark-to-market value of negative positions	Sum of all mark-to-market values of positions in section B1a for which the mark-to-market value is negative.

B2a. Total gross delta-based notional for options³

Row	Column	Heading	Description
66-86	D-CF	Total gross notional of the short positions	This section reports the delta equivalent notional values for options in short positions in each asset class and residual maturity bucket according to Basel II, Annex 4, Paragraphs 76-78 (http://www.bis.org/publ/bcbs128d.pdf).
88-108	D-CF	Total gross notional of the long positions	This section reports the delta equivalent notional values for options in long positions in each asset class and residual maturity bucket according to Basel II, Annex 4, Paragraphs 76-78 (http://www.bis.org/publ/bcbs128d.pdf).

² This section covers all non-option derivatives, both OTC and exchange traded.

³ This section covers all options, both OTC and exchange traded.

B2b. Total mark-to-market values for options			
Row	Column	Heading	Description
112	D-CF	Total mark-to-market value of positive positions	Sum of all mark-to-market values of positions in section B2a for which the mark-to-market value is positive
113	D-CF	Total mark-to-market value of negative positions	Sum of all mark-to-market values of positions in section B2a for which the mark-to-market value is negative
B3. Collateral composition			
Row	Column	Heading	Description
118-124	D-CF	Sovereign debt	Total gross mark to market value for all Sovereign debt grouped by credit quality and residual maturity provided member.
125-130	D-CF	Other issuers' debt	Total gross mark to market value for all other issued debt grouped by credit quality and residual maturity provided by member.
133	D-CF	Cash same currency	Total gross cash in the same currency as exposure.
134	D-CF	Cash different currency	Total gross cash in different currency from exposure.
137	D-CF	Main index equities (including convertible bonds) & Gold	Total gross mark to market value for all main index equities provided by clearing member.
138	D-CF	Other equities (including convertible bonds) listed on a recognised exchange	Total gross mark to market value for all other equities provided by clearing member.
139	D-CF	UCITS/Mutual funds	Total gross mark to market value for all UCITS/Mutual funds provided by clearing member.
140	D-CF	Non-cash collateral denominated in currencies different from that for exposure	Percentage of non-cash collateral provided, by the member, in a currency that is different from the exposure currency.

(d) Repo/reverse repos (panel C)

This section should cover all repo and reverse repo agreements cleared for each member.

C1. Repo/reverse repos exposures			
Row	Column	Heading	Description
147-153	D-CF	Sovereign debt	Total gross mark to market value for all Sovereign debt grouped by credit quality and maturity.
154-159	D-CF	Other issuers' debt	Total gross mark to market value for all other issued debt grouped by credit quality and maturity.
162	D-CF	Cash	Total gross cash.
165	D-CF	Main index equities (including convertible bonds) & Gold	Total gross mark to market value for all main index equities.
166	D-CF	Other equities (including convertible bonds) listed on a recognised exchange	Total gross mark to market value for all other equities.
167	D-CF	UCITS/Mutual funds	Total gross mark to market value for all UCITS/Mutual funds.
C2. Repo/reverse repos collateral composition			
Row	Column	Heading	Description
172-178	D-CF	Sovereign debt	Total gross mark to market value for all Sovereign debt grouped by credit quality and residual maturity provided member.
179-184	D-CF	Other issuers' debt	Total gross mark to market value for all other issued debt grouped by credit quality and residual maturity provided by member.
187	D-CF	Cash same currency	Total gross cash in the same currency as exposure.
188	D-CF	Cash different currency	Total gross cash in different currency from exposure
191	D-CF	Main index equities (including convertible bonds) & Gold	Total gross mark to market value for all main index equities provided by clearing member.
192	D-CF	Other equities (including convertible bonds) listed on a recognised exchange	Total gross mark to market value for all other equities provided by clearing member.
193	D-CF	UCITS/Mutual funds	Total gross mark to market value for all UCITS/Mutual funds.
194	D-CF	Non-cash collateral denominated in currencies different from that for exposure	Percentage of non-cash collateral provided, by the member, in a currency that is different from the exposure currency.

(e) Securities lending/borrowing (panel D)

This section should cover all securities lending and borrowing agreements cleared for each member.

D1. Securities lending/borrowing exposures			
Row	Column	Heading	Description
201-207	D-CF	Sovereign debt	Total gross mark to market value for all Sovereign debt grouped by credit quality and maturity.
208-213	D-CF	Other issuers' debt	Total gross mark to market value for all other issued debt grouped by credit quality and maturity.
216	D-CF	Cash	Total gross cash.
219	D-CF	Main index equities (including convertible bonds) & Gold	Total gross mark to market value for all main index equities.
220	D-CF	Other equities (including convertible bonds) listed on a recognised exchange	Total gross mark to market value for all other equities.
221	D-CF	UCITS/Mutual funds	Total gross mark to market value for all UCITS/Mutual funds.
D2. Securities lending/borrowing collateral composition			
Row	Column	Heading	Description
226-232	D-CF	Sovereign debt	Total gross mark to market value for all Sovereign debt grouped by credit quality and residual maturity provided member.
233-238	D-CF	Other issuers' debt	Total gross mark to market value for all other issued debt grouped by credit quality and residual maturity provided by member.
241	D-CF	Cash same currency	Total gross cash in the same currency as exposure provided by member.
242	D-CF	Cash different currency	Total gross cash in different currency from exposure provided by member.
245	D-CF	Main index equities (including convertible bonds) & Gold	Total gross mark to market value for all main index equities provided by member.
246	D-CF	Other equities (including convertible bonds) listed on a recognised exchange	Total gross mark to market value for all other equities provided by member.
247	D-CF	UCITS/Mutual funds	Total gross mark to market value for all UCITS/Mutual funds.
248	D-CF	Non-cash collateral denominated in currencies different from that for exposure	Percentage of non-cash collateral provided, by the member, in a currency that is different from the exposure currency.

(f) Member margins and default fund contributions (panel E)

To be completed for initial margins and total default fund contributions across all products reported in the template. If more than one template will be completed, the default fund should be split across the different products and each template should only include the default fund contributions for the products reported in that template.

E1. Initial margin			
Row	Column	Heading	Description
254	D-CF	Total initial margin posted by members	Total mark to market value of initial margin.
E2. Default fund contributions by members			
Row	Column	Heading	Description
258	D-CF	Pre-funded default fund contributions	Total mark to market value of member's pre-funded default fund contributions.
259	D-CF	Committed default fund contributions	Total mark to market value of member's unfunded default fund commitments (that is, extra default fund contributions members are contractually committed to contribute, but have not yet contributed, eg non-voluntary top-ups).
260	D-CF	Default fund contributions are split across products	Enter 'Y' if the default fund has been split across products for the purposes of this exercise and more than one template is being submitted.

(g) Default fund contribution by CCP (panel F)

To be completed for total default fund contributions across all products reported in the template by the CCP. If more than one template will be completed, the default fund should be split across the different products and each template should only include the default fund contributions for the products reported in that template.

F1. CCP default fund contributions			
Row	Column	Heading	Description
266	D	Pre-funded CCP contribution to the default fund utilised before any member contributions	The mark to market value of the contributions to the default fund by the CCP that will be consumed BEFORE any surviving member's contribution to the default fund.
267	D	Pre-funded CCP contribution to the default fund utilised alongside member contributions	The mark to market value of the contributions to the default fund by the CCP that will be consumed together, pro rata, with member's contributions to the default fund.
268	D	Pre-funded CCP contribution to the default fund utilised after member contributions	The mark to market value of the contribution to the default fund by the CCP that will be consumed after the use of member' contributions to the default fund.
F2. Total default fund contributions			
Row	Column	Heading	Description
272	D	Total pre-funded default fund contributions	Total mark to market value of default fund held by the CCP.

(h) Total number of clearing members (panel G)

To be completed for the number of clearing members at this CCP.

G. Total number of clearing members			
Row	Column	Heading	Description
276	D	Total number of clearing members	Number of clearing members at this CCP