Basel Committee on Banking Supervision

CRE
Calculation of RWA for credit risk

CRE55
Counterparty credit risk in the trading book

Version effective as of 15 Dec 2019

First version in the format of the consolidated framework.
55.1 Banks must calculate the counterparty credit risk charge for over-the-counter (OTC) derivatives, repo-style and other transactions booked in the trading book, separate from the capital requirement for market risk. The risk weights to be used in this calculation must be consistent with those used for calculating the capital requirements in the banking book. Thus, banks using the standardised approach in the banking book will use the standardised approach risk weights in the trading book and banks using the internal ratings-based (IRB) approach in the banking book will use the IRB risk weights in the trading book in a manner consistent with the IRB roll-out situation in the banking book as described in [CRE30.46] to [CRE30.53]. For counterparties included in portfolios where the IRB approach is being used the IRB risk weights will have to be applied.

Footnotes

1 The treatment for unsettled foreign exchange and securities trades is set forth in CRE70.

55.2 In the trading book, for repo-style transactions, all instruments, which are included in the trading book, may be used as eligible collateral. Those instruments which fall outside the banking book definition of eligible collateral shall be subject to a haircut at the level applicable to non-main index equities listed on recognised exchanges (as noted in [CRE22.44]). However, where banks are using the own estimates approach to haircutting they may also apply it in the trading book in accordance with [CRE22.48] to [CRE22.49]. Consequently, for instruments that count as eligible collateral in the trading book, but not in the banking book, the haircuts must be calculated for each individual security. Where banks are using a value-at-risk models approach to measuring exposure for securities financing transactions, they also may apply this approach in the trading book in accordance with [CRE22.74] to [CRE22.77] and [CRE51].

55.3 The calculation of the counterparty credit risk charge for collateralised OTC derivative transactions is the same as the rules prescribed for such transactions booked in the banking book (see [CRE51]).

55.4 The calculation of the counterparty charge for repo-style transactions will be conducted using the rules in [CRE51] spelt out for such transactions booked in the banking book. The firm-size adjustment for small or medium-sized entities as set out in [CRE31.9] shall also be applicable in the trading book.