Basel Committee on Banking Supervision

DIS

Disclosure requirements

DIS20

Overview of risk management, key prudential metrics and RWA

Version effective as of 15 Dec 2019

First version in the format of the consolidated framework.

BANK FOR INTERNATIONAL SETTLEMENTS

Introduction

20.1 The disclosure requirements under this section are:

(1) Template KM1 – Key metrics (at consolidated level)

(2) Template KM2 – Key metrics – total loss-absorbing capacity (TLAC) requirements (at resolution group level)

(3) Table OVA – Bank risk management approach

(4) Template OV1 – Overview of risk-weighted assets (RWA)

20.2 Template KM1 provides users of Pillar 3 data with a time series set of key prudential metrics covering a bank's available capital (including buffer requirements and ratios), its RWA, leverage ratio, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). As set out in CAP90.17, banks are required to publicly disclose whether they are applying a transitional arrangement for the impact of expected credit loss accounting on regulatory capital. If a transitional arrangement is applied, Template KM1 will provide users with information on the impact on the bank's regulatory capital and leverage ratios compared to the bank's "fully loaded" capital and leverage ratios had the transitional arrangement not been applied.

20.3 Template KM2 requires global systemically important banks (G-SIBs) to disclose key metrics on TLAC. Template KM2 becomes effective from the TLAC conformance date.

20.4 Table OVA provides information on a bank's strategy and how senior management and the board of directors assess and manage risks.

20.5 Template OV1 provides an overview of total RWA forming the denominator of the risk-based capital requirements.

FAQ

FAQ1 *For counterparty credit risk (CCR) (rows 6-9), the split requested is by the exposure at default (EAD) methodology classification used to determine exposure levels rather than the RWA methodology classification used to determine risk weights. This contradicts the presentation for credit risk (rows 1–5) and securitisation (rows 16-19). Should line items be added (where necessary) to reconcile the disclosure to the total RWA?*

Template OV1 does not request CCR to be split by risk weighting methodology, but by EAD methodology. Nevertheless, banks should add extra rows, as appropriate, to split the exposures by risk weighting methodology, in order to facilitate the reconciliation with the RWA changes in Template CCR7.*

** RWA and capital requirements under the Standardised Approach for credit risk weighting are to be subdivided in the standardised approach for counterparty credit risk (SA-CCR) and the internal models method (IMM), and the same for RWA and capital requirements under the internal ratings-based (IRB) approach for credit risk weighting.*

Template KM1: Key metrics at consolidated level

Purpose: Provide an overview of a bank's prudential regulatory metrics.
Scope of application: The template is mandatory for all banks.
Content: Key prudential metrics related to regulatory capital, leverage ratio and liquidity standards. Banks are required to disclose each metric's value using the corresponding standard's specifications for the reporting period-end (designated by T in the template below) as well as the four previous quarter-end figures (T-1 to T-4). All metrics are intended to reflect actual bank values for (T), with the exception of "fully loaded ECL" metrics.
Frequency: Quarterly.
Format: Fixed. If banks wish to add rows to provide additional regulatory or financial metrics, they must provide definitions for these metrics and a full explanation of how the metrics are calculated (including the scope of consolidation and the regulatory capital used if relevant). The additional metrics must not replace the metrics in this disclosure requirement.
Accompanying narrative: Banks are expected to supplement the template with a narrative commentary to explain any significant change in each metric's value compared with previous quarters, including the key drivers of such changes (eg whether the changes are due to changes in the regulatory framework, group structure or business model). Banks that apply transitional arrangement for expected credit loss (ECL) are expected to supplement the template with the key elements of the transition they use.

		a	b	c	d	e
		T	T-1	T-2	T-3	T-4
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)					
1a	Fully loaded ECL accounting model CET1					
2	Tier 1					
2a	Fully loaded ECL accounting model Tier 1					
3	Total capital					
3a	Fully loaded ECL accounting model total capital					
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)					
	Risk-based capital ratios as a percentage of RWA					

5	Common Equity Tier 1 ratio (%)					
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)					
6	Tier 1 ratio (%)					
6a	Fully loaded ECL accounting model Tier 1 ratio (%)					
7	Total capital ratio (%)					
7a	Fully loaded ECL accounting model total capital ratio (%)					
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)					
9	Countercyclical buffer requirement (%)					
10	Bank G-SIB and/or D-SIB additional requirements (%)					
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)					
12	CET1 available after meeting the bank's minimum capital requirements (%)					
	Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure					
14	Basel III leverage ratio (%) (row 2 / row 13)					
14a	Fully loaded ECL accounting model Basel III leverage ratio (%)					
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA)					
16	Total net cash outflow					
17	LCR (%)					
	Net Stable Funding Ratio					
18	Total available stable funding					

19	Total required stable funding					
20	NSFR					

Instructions

Row number	Explanation
5a, 6a, 7a, 14a	For fully loaded ECL ratios (%) in rows 5a, 6a, 7a and 14a, the denominator (RWA, Basel III leverage ratio exposure measure) is also "Fully loaded ECL", ie as if ECL transitional arrangements were not applied.
12	*CET1 available after meeting the bank's minimum capital requirements (as a percentage of risk-weighted assets)*: it may not necessarily be the difference between row 5 and the Basel III minimum CET1 requirement of 4.5% because CET1 capital may be used to meet the bank's Tier 1 and/or total capital ratio requirements. See instructions to [CC1:68].
13	*Total Basel III leverage ratio exposure measure*: according to specifications set out in DIS80. The amounts may reflect end-of-period values or averages depending on local implementation.
15	*Total HQLA:* total adjusted value according to specifications set out in DIS85, using simple averages of daily observations over the previous quarter (ie the average calculated over a period of, typically, 90 days).
16	*Total net cash outflow:* total adjusted value according to specifications set out in DIS85, using simple averages of daily observations over the previous quarter (ie the average calculated over a period of, typically, 90 days).

Linkages across templates

Amount in [KM1:1/a] is equal to [CC1:29/a]

Amount in [KM1:2/a] is equal to [CC1:45/a]

Amount in [KM1:3/a] is equal to [CC1:59/a]

Amount in [KM1:4/a] is equal to [CC1:60/a]

Amount in [KM1:5/a] is equal to [CC1:61/a]

Amount in [KM1:6/a] is equal to [CC1:62/a]

Amount in [KM1:7/a] is equal to [CC1:63/a]

Amount in [KM1:8/a] is equal to [CC1:65/a]

Amount in [KM1:9/a] is equal to [CC1:66/a]

Amount in [KM1:10/a] is equal to [CC1:67/a]

Amount in [KM1:12/a] is equal to [CC1:68/a]

Amount in [KM1:13/a] is equal to [LR2:21/a]

Amount in [KM1:14/a] is equal to [LR2:22/a]

Amount in [KM1:15/a] is equal to [LIQ1:21/b]

Amount in [KM1:16/a] is equal to [LIQ1:22/b]

Amount in [KM1:17/a] is equal to [LIQ1:23/b]

Amount in [KM1:18/a] is equal to [LIQ2:14/e]

Amount in [KM1:19/a] is equal to [LIQ2:33/e]

Amount in [KM1:20/a] is equal to [LIQ2:34/e]

Template KM2: Key metrics - TLAC requirements (at resolution group level)

Purpose: Provide summary information about total loss-absorbing capacity (TLAC) available, and TLAC requirements applied, at resolution group level under the single point of entry and multiple point of entry (MPE) approaches.

Scope of application: The template is mandatory for all resolution groups of G-SIBs.

Content: Key prudential metrics related to TLAC. Banks are required to disclose the figure as of the end of the reporting period (designated by T in the template below) as well as the previous four quarter-ends (designed by T-1 to T-4 in the template below). When the banking group includes more than one resolution group (MPE approach), this template is to be reproduced for each resolution group.

Frequency: Quarterly.

Format: Fixed.

Accompanying narrative: Banks are expected to supplement the template with a narrative commentary to explain any significant change over the reporting period and the key drivers of such changes.

		a	b	c	d	e
		T	T-1	T-2	T-3	T-4
Resolution group 1						
1	Total Loss Absorbing Capacity (TLAC) available					
1a	Fully loaded ECL accounting model TLAC available					
2	Total RWA at the level of the resolution group					
3	TLAC as a percentage of RWA (row1/row2) (%)					
3a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)					
4	Basel III leverage ratio exposure measure at the level of the resolution group					
5	TLAC as a percentage of Basel III leverage ratio exposure measure (row1/row4) (%)					
5a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model Basel III leverage ratio exposure measure (%)					
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?					

6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?					
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with Excluded Liabilities and that is recognised as external TLAC, divided by funding issued that ranks pari passu with Excluded Liabilities and that would be recognised as external TLAC if no cap was applied (%)					

Linkages across templates

Amount in [KM2:1/a] is equal to [resolution group-level TLAC1:22/a]

Amount in [KM2:2/a] is equal to [resolution group-level TLAC1:23/a]

Aggregate amounts in [KM2:2/a] across all resolution groups will not necessarily equal or directly correspond to amount in [KM1:4/a]

Amount in [KM2:3/a] is equal to [resolution group-level TLAC1:25/a]

Amount in [KM2:4/a] is equal to [resolution group-level TLAC1:24/a]

Amount in [KM2:5/a] is equal to [resolution group-level TLAC1:26/a]

[KM2:6a/a] refers to the uncapped exemption in Section 11 of the FSB TLAC Term Sheet, for jurisdictions in which all liabilities excluded from TLAC specified in Section 10 are statutorily excluded from the scope of the bail-in tool and therefore cannot legally be written down or converted to equity in a bail-in resolution. Possible answers for [KM2:6a/a]: [Yes], [No].

[KM2:6b/a] refers to the capped exemption in Section 11 of the FSB TLAC Term Sheet, for jurisdictions where the resolution authority may, under exceptional circumstances specified in the applicable resolution law, exclude or partially exclude from bail-in all of the liabilities excluded from TLAC specified in Section 10, and where the relevant authorities have permitted liabilities that would otherwise be eligible to count as external TLAC but which rank alongside those excluded liabilities in the insolvency creditor hierarchy to contribute a quantum equivalent of up to 2.5% RWA. Possible answers for [KM2:6b/a]: [Yes], [No].

Amount in [KM2:6c/a] is equal to [resolution group-level TLAC1:14/a divided by TLAC1:13/a]. This only needs to be completed if the answer to [KM2:6b/a] is [Yes].

Table OVA: Bank risk management approach

Purpose: Description of the bank's strategy and how senior management and the board of directors assess and manage risks, enabling users to gain a clear understanding of the bank's risk tolerance/appetite in relation to its main activities and all significant risks.
Scope of application: The template is mandatory for all banks.
Content: Qualitative information.
Frequency: Annual.
Format: Flexible.
Banks must describe their risk management objectives and policies, in particular:

(a)	How the business model determines and interacts with the overall risk profile (eg the key risks related to the business model and how each of these risks is reflected and described in the risk disclosures) and how the risk profile of the bank interacts with the risk tolerance approved by the board.
(b)	The risk governance structure: responsibilities attributed throughout the bank (eg oversight and delegation of authority; breakdown of responsibilities by type of risk, business unit etc); relationships between the structures involved in risk management processes (eg board of directors, executive management, separate risk committee, risk management structure, compliance function, internal audit function).
(c)	Channels to communicate, decline and enforce the risk culture within the bank (eg code of conduct; manuals containing operating limits or procedures to treat violations or breaches of risk thresholds; procedures to raise and share risk issues between business lines and risk functions).
(d)	The scope and main features of risk measurement systems.
(e)	Description of the process of risk information reporting provided to the board and senior management, in particular the scope and main content of reporting on risk exposure.
(f)	Qualitative information on stress testing (eg portfolios subject to stress testing, scenarios adopted and methodologies used, and use of stress testing in risk management).
(g)	The strategies and processes to manage, hedge and mitigate risks that arise from the bank's business model and the processes for monitoring the continuing effectiveness of hedges and mitigants.

Template OV1: Overview of RWA

Purpose: Provide an overview of total RWA forming the denominator of the risk-based capital requirements. Further breakdowns of RWA are presented in subsequent parts.

Scope of application: The template is mandatory for all banks.

Content: Risk-weighted assets and capital requirements under Pillar 1. Pillar 2 requirements should not be included.

Frequency: Quarterly.

Format: Fixed.

Accompanying narrative: Banks are expected to identify and explain the drivers behind differences in reporting periods T and T-1 where these differences are significant.

When minimum capital requirements in column (c) do not correspond to 8% of RWA in column (a), banks must explain the adjustments made. If the bank uses the Internal Models Method (IMM) for its equity exposures, it must provide annually a description of the main characteristics of its internal model in an accompanying narrative.

		a	b	c
		RWA		Minimum capital requirements
		T	T-1	T
1	Credit risk (excluding counterparty credit risk)			
2	Of which: standardised approach			
3	Of which: foundation internal ratings-based (F-IRB) approach			
4	Of which: supervisory slotting approach			
5	Of which: advanced internal ratings-based (A-IRB) approach			
6	Counterparty credit risk (CCR)			
7	Of which: standardised approach for counterparty credit risk			
8	Of which: Internal Model Method (IMM)			
9	Of which: other CCR			
10	Credit valuation adjustment (CVA)			

11	Equity positions under the simple risk weight approach and the internal model method			
12	Equity investments in funds - look-through approach			
13	Equity investments in funds - mandate-based approach			
14	Equity investments in funds - fall-back approach			
15	Settlement risk			
16	Securitisation exposures in banking book			
17	Of which: securitisation internal ratings-based approach (SEC-IRBA)			
18	Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)			
19	Of which: securitisation standardised approach (SEC-SA)			
20	Market risk			
21	Of which: standardised approach			
22	Of which: internal models approach (IMA)			
23	Operational risk			
24	Amounts below the thresholds for deduction (subject to 250% risk weight)			
25	Floor adjustment			
26	Total (1 + 6 + 10 + 11 + 12 + 13 + 14 + 15 + 16 + 20 + 23 + 24 + 25)			

Definitions and instructions

RWA: risk-weighted assets according to the Basel framework and as reported in accordance with the subsequent parts of this standard. Where the regulatory framework does not refer to RWA but directly to capital charges (eg for market risk and operational risk), banks should indicate the derived RWA number (ie by multiplying capital charge by 12.5).

RWA (T-1): risk-weighted assets as reported in the previous Pillar 3 report (ie at the end of the previous quarter).

Minimum capital requirement T: Pillar 1 capital requirements at the reporting date. This will normally be RWA * 8% but may differ if a floor is applicable or adjustments (such as scaling factors) are applied at jurisdiction level.

Row number	Explanation
1	*Credit risk (excluding counterparty credit risk):* RWA and capital requirements according to the credit risk framework reported in DIS40; excludes all positions subject to the securitisation regulatory framework, including securitisation exposures in the banking book (which are reported in row 16) and capital requirements relating to a counterparty credit risk charge, which are reported in row 6.
2	*Of which: standardised approach*: RWA and capital requirements according to the credit risk standardised approach.
3 and 5	*Of which: (foundation/advanced) internal rating-based approaches:* RWA and capital requirements according to the F-IRB approach and/or A-IRB approach.
4	*Of which: supervisory slotting approach:* RWA and capital requirements according to the supervisory slotting approach.
6 to 8	*Counterparty credit risk:* RWA and capital charges according to the counterparty credit risk framework, as reported in DIS42, excluding CVA as reported in row 10.
9	*Of which: other CCR:* RWA and capital charge requirements according to the counterparty credit risk framework, as reported in DIS42, excluding CVA as reported in row 10, which do not fall under rows 7 and 8.
10	*Credit valuation adjustment:* RWA and capital charge requirements according to MAR50.
11	*Equity positions under the simple risk weight approach and the internal model method:* the amounts in row 11 correspond to RWA where the bank applies the simple risk weight approach or the internal model method. The RWA for equity positions under the simple risk weight approach are included in Template CR10 in DIS40. Where the regulatory treatment of equities is in accordance with the standardised approach, the corresponding RWA are reported in Template CR4 in DIS40 and included in row 2 of this template.

12	*Equity investments in funds - look-through approach:* RWA and capital requirements calculated in accordance with CRE60.
13	*Equity investments in funds - mandate-based approach:* RWA and capital requirements calculated in accordance with CRE60
14	*Equity investments in funds - fall-back approach:* RWA and capital requirements calculated in accordance with CRE60.
15	*Settlement risk:* the amounts correspond to the requirements in CRE70
16 to 19	*Securitisation exposures in banking book:* the amounts correspond to capital requirements applicable to the securitisation exposures in CRE40. The RWA amounts must be derived from the capital requirements (which includes the impact of the cap in accordance with CRE40.50 to CRE40.55, and do not systematically correspond to RWA reported in Templates SEC3 and SEC4, which are before application of the cap).
20	*Market risk:* the amounts reported in row 20 correspond to the RWA and capital requirements in DIS50. They also include capital charges for securitisation positions booked in the trading book but exclude the counterparty credit risk capital charges (reported in DIS42 and row 6 of this template). The RWA for market risk correspond to the capital charge times 12.5.
21	*Of which: standardised approach:* RWA and capital requirements according to the market risk standardised approach. including capital requirements for securitisation positions booked in the trading book
22	*Of which: internal models approach:* RWA and capital requirements according to the market risk IMA.
23	*Operational risk:* the amounts corresponding to the Pillar 1 requirements in the Basel framework.
24	*Amounts below the thresholds for deduction (subject to 250% risk weight):* the amounts correspond to items subject to a 250% risk weight according to CAP30.34. It includes significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation and below the threshold for deduction, after application of the 250% risk weight.
25	*Floor adjustment:* this row must be used to disclose the impact of any Pillar 1 floor adjustment (eg a Basel I floor) on total RWA and total capital so that the total row reflects the total RWA and total capital requirements, including such an adjustment. Pillar 2 adjustments applied do not need to be disclosed here. Floors or adjustments applied at a more granular level (eg at risk category level) must be reflected in the capital requirements reported for this risk category.

Linkages across templates

Amount in [OV1:2/a] is equal to [CR4:14/e]

Amount in [OV1:3/a] and [OV1:5/a] is equal to the sum of [CR6: Total (all portfolios)/i] + [CR10: Specialised lending total RWA for HVCRE and other than HVCRE]

Amount in [OV1:6/a] is equal to the sum of [CCR1:6/f+CCR8:1/b+CCR8:11/b].