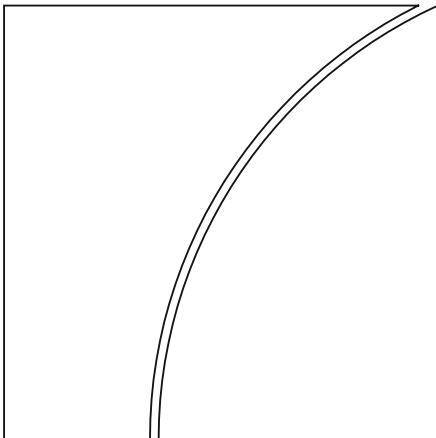


Basel Committee on Banking Supervision



Frequently asked questions on Basel III monitoring

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Frequently asked questions on Basel III monitoring

1. Introduction

This document provides answers to technical and interpretive questions raised by supervisors and banks during the Committee's Basel III monitoring. **The document intends to facilitate the completion of the monitoring questionnaire and is not to be construed as an official interpretation of other documents published by the Committee.**

Paragraph numbers given in the remainder of this document usually refer to *Basel III: A global regulatory framework for more resilient banks and banking systems* ("the Basel III standards"), the *Basel III leverage ratio framework and disclosure requirements* ("the Basel III leverage ratio framework"), *Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools* ("the Basel III LCR standards") and *Basel III: The Net Stable Funding Ratio* ("the Basel III NSFR standards").¹

In addition to the guidance for completing the monitoring template contained in this document, the Committee has published frequently asked questions as its official response to questions of interpretation relating to certain aspects of the Basel III standards. **Therefore, banks should also take into account the frequently asked questions on capital, counterparty credit risk and the leverage ratio published by the Committee.**²

Questions which have been added since the previous version of the FAQs are shaded yellow; questions which have been revised (other than updated cell references) are shaded red.

2. General

1. In Section 2.1, it is mentioned that banks should calculate capital requirements based on the national implementation of the Basel II framework unless stated otherwise. Does this include deviations from the Basel capital framework if any?

Answer: Yes. In some countries supervisors may have implemented additional rules beyond the Basel capital framework or may have made modifications to the framework in their national implementation, and these should be considered in the calculation of the capital requirements for the purposes of this exercise unless stated otherwise in the Instructions.

¹ Basel Committee on Banking Supervision, *Basel III: A global regulatory framework for more resilient banks and banking systems (revised June 2011)*, June 2011, www.bis.org/publ/bcbs189.htm; Basel Committee on Banking Supervision, *Basel III leverage ratio framework and disclosure requirements*, January 2014, www.bis.org/publ/bcbs270.htm; Basel Committee on Banking Supervision, *Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools*, January 2013, www.bis.org/publ/bcbs238.htm; Basel Committee on Banking Supervision, *Basel III: The Net Stable Funding Ratio*, October 2014, www.bis.org/bcbs/publ/d295.htm.

² Basel Committee on Banking Supervision, *Basel III definition of capital – Frequently asked questions*, December 2011, www.bis.org/publ/bcbs211.htm; Basel Committee on Banking Supervision, *Basel III counterparty credit risk – Frequently asked questions*, December 2012, www.bis.org/publ/bcbs237.htm; Basel Committee on Banking Supervision, *Frequently asked questions on the Basel III leverage ratio framework*, www.bis.org/publ/bcbs293.htm.

3. Definition of capital

3.1 General

1. Please clarify what data should be populated in panel E) Memo item: Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation and below the threshold for deduction (D103:113, E103:113) in the "DefCap" worksheet.

Answer: These cells refer to "Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital (excluding amounts held for underwriting purposes only if held for 5 working days or less)" and "below the threshold for deduction". Significant investments in those should be excluded from these cells.

2. Can banks choose whether or not to include the amounts related to defaulted assets in cells D8 and D9 of the "DefCap" worksheet?

Answer: No. Banks in EU countries **must exclude** the amounts related to defaulted assets from cells D8 and D9 of the "DefCap" worksheet and report them separately in cells D10 and D11. Conversely, banks in non-EU countries **must include** these amounts in cells D8 and D9 and leave cells D10 and D11 empty.

3.2 DefCap-provisioning

1. Please elaborate more on how to interpret "any loan past due for 90 days or more" in cells D16 and D20 in the "DefCap-provisioning" worksheet.

Answer: Those cells in the "DefCap-provisioning" worksheet are based on the current standardised approach for credit risk (SA) and thus paragraph 75 of the Basel II framework is a right reference in this regard, ie referring to only 90 days past due (90 DPD). When jurisdictions implement more conservative criteria (eg adding a criterion of unlikelihood to pay) than the Basel 90 DPD criterion which can be recognised as national implementation of the Basel 90 DPD criterion, banks should fill in data on a nationally implemented basis. Cells D17 and D21 should be filled consistently with the treatment for cells D16 and D20.

2. Please clarify how to fill in cells D16 and D17 in the "DefCap-provisioning" worksheet if banks cannot allocate general provisions on a loan-by-loan basis.

Answer: Banks should allocate total general provisions to cells D16 and D17 proportionally to the amount of exposures (or RWAs ideally) associated with those cells unless otherwise specified under the fully phased-in nationally implemented rule. If general provisions spread over both SA and IRB portfolios under the partial use of the standardised approach and cannot be allocated on a loan-by-loan basis, banks should calculate cells D10, D11, D16 and D17 in the same manner. In addition, the same proportional method can be applied to specific provisions, ie cells D20 and D21, if relevant.

For example, a bank calculated general provisions of 200 on a pooled basis which cover loan exposures of 10,000. The loan exposures are broken down to 3,000 for the exposures that are past due for 90 days or more and 7,000 for the exposures that are not past due or past due for less than 90 days. In this case, the bank populates 60 ($200/10,000 \times 3,000$) in cell D16 and 140 ($200/10,000 \times 7,000$) in cell D17.

In addition, in case that a bank can calculate RWAs in detail, it is ideal for the bank to calculate figures as follows. Total exposures of loan portfolios equal 10,000 where 3,000 in the "90 DPD or more" bucket and 7,000 in the "less than 90 DPD" bucket. First, convert these exposures into

RWAs. After the conversion, RWAs would be 4,500 (3,000*150%) in the "90 DPD or more" bucket and 3,500 (7,000*50%) in the "less than 90 DPD" bucket. The total RWAs equal 8,000. The second step is to allocate provision 200 into these two buckets (cells) in proportion to the RWAs. In this example, the bank populates 113 (4,500/8,000*200) in cell D16 and 87 (3,500/8,000*200) in cell D17.

When banks use a proportionate method, banks should explain the approach taken to their supervisor in a written form concurrently with the data submission.

3. Do cells D9 and D15 (Of which, are loan loss reserves for general banking risks (ie hidden reserves)) in the "DefCap-provisioning" worksheet include any accounting provisions for general banking risks?

Answer: No. This cell corresponds to only "not publicly disclosed (hidden) reserves", accepted by banks' supervisory authorities, which, though unpublished, have been passed through the profit and loss account and are not allocated to an identified deterioration in any asset or group or subset of assets.

Thus, these hidden reserves are not based on generally accepted accounting frameworks (eg IAS 39) but domestic regulatory treatments. Note that most jurisdictions do not have such domestic regulatory treatments, so these cells are expected to be irrelevant for most banks.

4. Should rows 34/35 in the "DefCap-provisioning" worksheet report figures before the threshold/full deduction, respectively?

Answer: Yes. Row 34 collects the amount subject to the threshold deduction treatment and row 35 collects the amount subject to the full deduction treatment from CET 1 capital. Both figures should be based on "before deduction".

4. Leverage ratio

1. Items deducted from the capital measure that must symmetrically be deducted from the Basel III leverage ratio exposure measure are only those that are on the asset side of the balance sheet. There should not be any liability item deducted from the Basel III leverage ratio exposure measure.

Answer: Yes.

2. How should the Basel III leverage ratio exposure be measured? Shall the accounting treatment be used?

Answer: The Basel III leverage ratio exposure measure for the leverage ratio should generally follow the accounting value, coupled with the following adjustments for non-derivative exposures and non-securities financing transactions (non-SFTs): (i) net of specific provisions and valuation adjustments; (ii) do not reduce on-balance sheet exposures for physical or financial collateral, guarantees or credit risk mitigation purchased; and (iii) no netting of loans and deposits. Moreover, for derivative exposures the effect of netting according to the Basel II framework should be considered, while for SFTs netting of cash receivables with cash payables may only be recognised subject to the strict criteria set out in paragraph 33(i) of the Basel III leverage ratio framework. Please also refer to the Basel III leverage ratio framework for more details on how to calculate the exposure measure.

3. It is not obvious whether the Basel III leverage ratio will be affected by insurance activities.

Answer: See paragraphs 8, 9 and 16 of the Basel III leverage ratio framework.

4. Can the Committee confirm that cross-product netting is not permitted under the Basel III leverage ratio exposure measure, and that the 40/60 rule embodied within paragraph 96 (iv) of Annex 4 of the Basel II framework applies to the allowable netting of the CEM add-on?

Answer: Yes.

5. Given that the restriction on counterparty credit risk due to hedging of financial institution investments has been removed in the definition of capital, does this also apply in the context of the Basel III leverage ratio even though in general it does not recognise credit risk mitigation?

Answer: In the context of the Basel III leverage ratio, the capital measure follows the criteria laid down in the Basel III standards for the definition of capital. This applies also to the hedging of investments in the capital of banking, financial and insurance entities.

In order to ensure that the capital and exposure measures are measured consistently, investments in the capital of banking, financial and insurance entities are excluded from the Basel III leverage ratio exposure measure for the same amount deducted from capital.

In any case, it must be noted that physical or financial collateral, guarantees or credit risk mitigation purchased are not allowed to reduce the on-balance sheet exposures. This implies that no effects other than those described above should occur from the hedging of exposures that are included in the Basel III leverage ratio.

6. What is meant by credit risk mitigation? Any collateral pledged to us should be available, however, any hedges with counterparty risk will be hard to identify.

Answer: This requirement asks for delivery of gross positions for on-balance sheet exposures, ie guarantees, financial collateral or other risk mitigants are not allowed to reduce the on-balance sheet exposures. However, cash variation margin *received* associated with derivative transactions and fulfilling the criteria in paragraph 25 of the Basel III leverage ratio framework may be viewed as a form of pre-settlement and hence not considered as a credit risk mitigant for the purpose of the Basel III leverage ratio.

7. Should the "Off-balance sheet exposures: notional x regulatory CCF" area in panel C of the "Leverage Ratio" worksheet include the EAD amount resulting from the derivative transactions?

Answer: No, derivative transactions should only be included in columns D and J.

8. In cell D77 of the "Leverage Ratio" worksheet, should we only provide the amount resulting from the netting agreements or should we also include cash collaterals?

Answer: Cell D77 should only include (i) the amount resulting from the netting, with the effects of collateral to be included in cell D79; and (ii) the gross value of derivatives that are treated off-balance sheet and therefore included in column E (and K) of panel A where applicable; following the relevant accounting frameworks.

9. We assume row 12 also includes all other derivatives (ie all except credit derivatives). Is this correct?

Answer: Yes.

10. We seek confirmation that the standards do not allow the netting of loans and deposits?

Answer: This is correct.

11. Can banks subject to a national GAAP exclude fiduciary assets from the total exposures measure of the Basel III leverage ratio under any circumstance, and if so under what circumstances?

Answer: Yes. According to paragraph 15 and footnote 4 of the Basel III leverage ratio framework, where a national GAAP recognises on-balance sheet fiduciary assets, these assets can be excluded from the Basel III leverage ratio total exposures measure provided the assets meet the criteria in

IAS 39 for de-recognition and, where applicable, IFRS 10 for de-consolidation. When disclosing the Basel III leverage ratio, banks should additionally disclose the extent of such de-recognised fiduciary items.

An example is the accounting for promotional programs for housing modernisation and energy conservation under German GAAP, where a state-owned bank provides loans via the bank in question acting as fiduciary (where the funding is completely provided by the state-owned bank, the administered funds cause neither credit risk nor liquidity risk for the bank in question, and the liability of the bank in question is limited to duly performing its obligations as a provider of funds management services). These loans are recognised on the balance sheet under German GAAP whereas they are not under IFRS.

12. Should the shortfall of the stock of provisions to expected losses (note paragraph 73 of Basel III) be deducted from the exposure measure of the Basel III leverage ratio?

Answer: See paragraph 16 of the Basel III leverage ratio framework.

13. A bank is applying national GAAP for their financial reporting, where certain derivative instruments are not recognised on the balance sheet. How should these derivatives be treated when calculating the exposure measure for the Basel III leverage ratio?

Answer: See paragraph 19 and footnote 6 of the Basel III leverage ratio framework.

14. Panel H: Regarding the alternative currency criteria for eligible cash variation margin in derivative transactions we are unable to make out the difference between the two sets of criteria based on the instructions provided. Could the Committee provide more clarity on the distinction between criterion 1 and criterion 2?

Answer: Criterion 2 is stricter as it requires that all derivatives in the netting set need to be settled in a single currency. Only cash variation margin in that single currency per netting set is eligible under criterion 2. In contrast, criterion 1 allows cash variation margin in situations, where the netting set contains replacement values in different currencies (the relevant currency being the one in which the associated cash flows will be settled).

For example, a netting set may contain a positive replacement value of 100 units to be settled in USD and a negative replacement value of -80 units to be settled in EUR. The net replacement value is 20 units in USD. Under criterion 1, 20 units of cash variation margin in USD would be eligible to reduce the net replacement value to zero. Under criterion 2, no cash variation margin would be eligible in this example (as it contains more than one currency for the settlement of the derivatives in the netting set).

15. deleted.

16. deleted.

17. Panel I: What is the definition of *segregated assets*?

Answer: As set out in Section 5.10 of the Instructions, an asset (eg cash initial margin) is considered *segregated* if it is segregated from the *clearing member's* other assets, ie if it may not be *used, pledged or re-hypothecated* by the clearing member for its own business purposes. However, such segregated margin may be used in accordance with the applicable customer protection rules, subject to the prior agreement with the clearing client.

18. deleted.
19. Panel I: Do rows 157 to 159 of the *Leverage ratio* template refer to *all* initial margin included in the Basel III leverage ratio exposure measure, or only to the bank's centrally cleared client initial margin associated with derivative transactions?

Answer: Rows 157 to 159 refer only to the bank's centrally cleared client initial margins associated with derivative transactions included in the Basel III leverage ratio exposure measure.

20. Panel J: Is it allowed to report a negative derivatives exposure according to the following formula: $L8 + K21 - K22 - K23 + K38$ in cells J167 and/or J170 in panel J? These cells are highlighted in red in case of negative amounts.

Answer: Although unusual, negative derivatives exposures are indeed possible.

21. Panel G: Does paragraph 187 of the SA-CCR document³ apply to global netting agreements (GNA), which are legally-enforceable agreements that enable a bank to net and margin client positions across products and across the bank's legal entities?

Answer: Paragraph 187 of the SA-CCR document states that where a single margin agreement applies to several netting setts, the PFE add-on must be calculated according to the unmargined methodology. Since the collateral exchanged on a net basis as a consequence of GNA may be insufficient to cover the exposures arising from derivative transactions, paragraph 187 should apply.

22. Panel G: To calculate the gross add-ons required for cells E123 and K123, do we need to set the PFE multiplier to one?

Answer: Yes.

23. Panel G: To calculate the impact of collateral provided on the RC for rows 111 (all collateral) and 112 (non-cash collateral), should the reporting bank include all collateral provided or only those that are recorded on the bank's balance sheet?

Answer: Rows 111 and 112 are designed to capture the impact of collateral provided on the RC under the unmodified SA-CCR approach and to assess any potential double counting of the amount of collateral posted in the calculation of the leverage ratio exposure measure. Under the current Basel III leverage ratio framework, row 21 should capture a grossing up of exposure measure from on- and off-balance sheet collateral provided, where the provision of such collateral has reduced the value of the balance sheet assets under the applicable accounting framework. Under certain accounting standards, row 18 should generally capture items such as receivables from cash collateral provided, which should be an asset item on the balance sheet.

Therefore, for the calculation of rows 111 and 112, banks should include both on- and off-balance sheet collateral provided. Specifically, row 111 should include all collateral and row 112 should include non-cash collateral only.

24. Panel G: For row 113, should the bank report the amount of cash collateral provided and included in row 21?

Answer: No. Row 113 requires the amount of receivables for cash collateral provided that is both included in row 18 and taken into account in the calculation of C or NICA under the unmodified SA-CCR approach.

³ Basel Committee on Banking Supervision, *The standardised approach for measuring counterparty credit risk exposures*, March 2014, www.bis.org/publ/bcbs279.htm.

25. Panel G: For the calculation of row 114, should the reporting bank include all collateral provided or only those that are recorded on the bank's balance sheet?

Answer: Row 114 requires the gross value of all collateral provided, including those that are off-balance sheet. Row 113 could be considered as a subset of row 114.

26. Panel G: under the modified SA-CCR, setting the PFE multiplier at 1 would de-recognise (i) over-collateralisation within netting sets, and (ii) the effect of negative mark-to-market. Please confirm that for the purpose of the Basel III monitoring exercise, this was intended?

Answer: Yes.

27. Panel K: Is panel K limited to the banking book or shall trading book exposures be included as well?

Answer: Panel K refers to regular way sales or purchases of any securities that have not been settled yet at reporting date. There is no differentiation between banking and trading book.

28. Panel K: For banks that apply netting of cash receivables for securities sold against cash payables for securities purchased under trade date accounting, what form of netting should be reported on panel K?

Answer: The only netting that should be reported for trade date accounting on panel K is the unconditional netting allowed for broker-dealers under US GAAP and Japanese GAAP. Other options for conditional netting (eg as provided by IAS 32) are not to be reported on panel K.

5. Liquidity

5.1 General

1. It is cumbersome and time consuming to obtain data for rows 103 to 107 and 132 to 136 of the "LCR" worksheet ("additional deposit categories with higher run-off rates as specified by supervisor"). Since the weight is set to 0%, what is the significance of collecting these data? How should these amounts be reported on the "NSFR" worksheet?

Answer: The parameters (ie the run-off rates applied for the purpose of calculating the LCR) for additional retail and small business deposit categories with higher run-off rates are specified by national supervisors, who are required to provide the specifications for these items. If a national supervisor has not yet decided what parameters to apply to these deposit categories, a 0% factor is automatically used for the calculation of the LCR.

Amounts reported in lines 103 to 107 and 132 to 136 of the "LCR" worksheet should be reflected in the amount reported in cell C11 on the "NSFR" worksheet.

2. Section 2.2 of the instructions states: "Where information is not available, the corresponding cell should be left empty. No text such as "na" should be entered in these cells. However, leaving a cell empty could trigger exclusion from some or all of the analyses if the respective item is required."

We would like to know which information is considered absolutely necessary to be reported so as not to be excluded from the most relevant analysis. At the moment, and given the short time to fill in the templates, we find it difficult to provide some of the breakdowns (eg operational deposits, distinction between non-transactional accounts with and without established relations and credit lines/ liquidity lines).

Answer: All relevant breakdowns on the templates should be filled in on a "best- efforts" basis. Leaving a relevant row blank may distort the end result and may trigger exclusion from the

analyses. Furthermore the LCR calculation may not produce a result in cell H443 (the LCR percentage) if any required cells are left blank. If cells are not applicable, then they are known to be zero and thus a zero value should be entered in such cells.

5.2 LCR

3. What is meant by “if the collateral received is re-used and tied up for 30 days or longer to cover short positions” in the treatment of reverse repos maturing within 30 days?

Answer: The LCR framework assumes that a reverse repo can only roll off if the collateral received on the reverse repo is available or will become available within 30 days to be returned to the counterparty on the reverse repo.

The bank may choose from the following options concerning the collateral received on reverse repos maturing within 30 days:

- (a) The bank could retain the collateral which would thereby be available for return when the reverse repo matures. In this case, the collateral may be included in the stock of high-quality liquid assets (if it satisfies the qualifying criteria) and repo transactions may roll-off in which case an inflow may be taken into account. The reverse repos should then be reported in lines 276 to 289.
- (b) The bank could sell the collateral to another party, in which case the bank would take a short position (it has sold assets it does not own outright). The collateral then cannot be included in the stock of high-quality liquid assets. In this case, per paragraph 147 of the Basel III LCR standards, there is no need to report an outflow for the bank’s short position, but the reverse repo cannot roll-off either, so there will not be an inflow of the cash extended in the reverse repo (ie it is assumed that the reverse repo will be rolled over to cover the bank’s short position). The reverse repos should then be reported in lines 291 to 296.
- (c) The bank could rehypothecate the collateral in a repo transaction. The collateral cannot then be included in the stock of high-quality liquid assets.
 - If the repo transaction matures within 30 days, resulting in an outflow, the collateral may return within 30 days and the reverse repo could unroll resulting in an inflow (unless the collateral consists of Level 1 assets, in which case the reverse repo is assumed to roll-over in full). The reverse repos should then be reported in lines 276 to 289.
 - If the repo transaction matures beyond the 30-day horizon, the collateral will not return within 30 days and the reverse repo is assumed to continue to roll-over in full and not generate any inflows. The reverse repos should then be reported in lines 291 to 296.

5.2.1 Stock of highly liquid assets

4. Section 6.1.1 of the instructions states “All assets ... should be under the control of the function charged with managing the liquidity of the bank”. Can unencumbered high-quality trading assets qualify for the stock of liquid assets if internal procedures exist such that these trading assets would be put under the control of the liquidity risk management function in times of stress?

Answer: Assets qualifying for the stock of liquid assets should meet all of the operational requirements noted in paragraphs 31 to 40 of the Basel III LCR standards at all times (not just in times of stress) including:

- (a) The stock should be under the control of the function charged with managing the liquidity of the bank (eg the treasurer), meaning the function has the continuous authority, and legal and operational capability, to monetise any asset in the stock (paragraph 33 of the Basel III LCR standards);
- (b) Control must be evidenced either by maintaining assets in a separate pool managed by the function with the sole intent for use as a source of contingent funds, or by demonstrating that the function can monetise the asset at any point in the 30 day stressed period and that the proceeds of doing so are available to the function throughout the 30 day stressed period without directly conflicting with a stated business or risk management strategy (paragraph 33 of the Basel III LCR standards).
5. Can assets that otherwise qualify for the stock of high-quality liquid assets but that are used to hedge structural interest rate risk be included as eligible high-quality liquid assets in the buffer?
- Answer:** Yes, so long as the assets meet the other operational requirements (eg within the control of the treasury function, etc).
6. Can rated loans be included in the stock of liquid assets?
- Answer:** No, only securities can be included.
7. How should assets be distinguished among lines 57 and 60?
- Answer:** First report any assets qualifying for line 57 in that line. Then, report any assets not yet reported in line 57 that qualify for line 60. The important consideration is that assets should not be double-counted in this section.
8. How should unencumbered assets that are held in a pool at a major electronic collateral management system be treated?
- Answer:** Assets available to fund gaps between inflows and outflow from day 1 and that meet all the other operational requirements are eligible for the stock of high-quality liquid assets. To decide which assets in the pool should be considered encumbered and unencumbered, please refer to the "definition of unencumbered" provided in Section 6.1.1 of the instructions.
9. Do assets pledged with the central bank (eg for RTGS purposes) qualify as high-quality liquid assets?
- Answer:** The unused portion of the collateral that has been pre-positioned or deposited with, or pledged to, a central bank or a public sector entity (PSE) but that has not been used to generate liquidity can be counted as part of the stock of liquid assets in accordance with paragraph 31 of the Basel III LCR standards.
10. Assume a bank uses the GC pooling market as offered by Eurex in Germany and receives collateral consisting of a basket of fixed income securities where, for example, roughly 40% of these securities are highly rated government securities that would, on their own, qualify for the stock of liquid assets. The remaining part (60%) consists of securities (mainly covered bonds) issued by financials. The bank will receive this collateral as "full transfer of title" so these securities will initially be part of their liquid asset pool. How should this be treated in the LCR stock of high-quality liquid assets?
- Answer:** If the highly rated government securities cannot separately be sold or used in a repo transaction, the weight that should be applied in the LCR should correspond to the asset that receives the lowest weight within the framework. For example, if the basket of securities includes only government securities that would be Level 1 eligible and covered bonds that would be Level 2A eligible, the entire basket of securities would be considered as Level 2A assets. If any part of the basket of securities relates to assets that are ineligible for the stock of high-quality liquid assets, the entire basket should receive a 0% weight and thus be excluded from the stock.

11. Where the cap on Level 2 assets or the cap on Level 2B assets is binding for a bank (meaning that certain otherwise eligible assets are excluded from the stock of high-quality liquid assets), can the inflows on these excluded assets count in the denominator of the LCR as inflows (falling within the next 30 calendar days)?

Answer: No, Level 2A or Level 2B assets that are excluded from the stock of high-quality liquid assets because of the caps should remain reported in panel Ab (if Level 2A) or panel Ac (if Level 2B) and not be reported as inflows. However, assets that are excluded from the stock of high-quality liquid assets because they do not meet the operational requirements and are not reported in panel Ab (if Level 2A) or panel Ac (if Level 2B) can be included as inflows.

5.2.2 Cash outflows

12. Do “transactional accounts” in row 85 include “current accounts” from retail customers?

Answer: Yes, if the retail customers use these current accounts for regular transactions and they have, for instance, their salaries automatically deposited to these accounts.

13. Regarding a relationship account “where the customer has another relationship with the bank”, does this include a situation where the customer has more than one product apart from a “non-transactional account” (eg more than just one savings account)?

Answer: Yes, the term “relationship” in this context refers to the customer having other products (ie loans, other deposit accounts) that makes it less likely that the customer will withdraw the deposits were the LCR stress scenario to unfold.

14. Row 60: The stock of high-quality liquid assets should not be designated to cover operational costs (such as rents and salaries): Does this effectively mean that 30-day expected operational costs are treated as an outflow?

Answer: No, the expected operational expenses are not included in outflows and the means held to pay them are not reflected in the stock of high-quality liquid assets.

15. Regarding “notes, bonds and other debt securities issued by the bank are included in this category regardless of the holder, unless the bond is sold exclusively in the retail market and held in retail accounts (including small business customers treated as retail),” can such bonds be treated as retail or small business customer deposits if they have been sold to a primary bank and from the primary bank then sold to retail customers or small business customers?

Answer: No, if such bonds are sold to a primary bank, they cannot exclusively be sold to retail and small business customers and would therefore not qualify for treatment as retail or small business customer deposits.

16. Given the short time frame provided to fill in the templates, the basic difficulty will be combining different databases (eg commercial and financial information) to determine the portion of the deposits that qualify for operational purposes.

Answer: Banks are requested to distinguish between operational and other deposits on a best-efforts basis.

17. In rows 202 and 209, are the counterparties BIS, IMF, ECB and European Community treated the same as domestic sovereigns, multilateral development banks or domestic PSEs with a 20% risk-weight, or do they fall into the category “other counterparties”?

Answer: Only transactions with specific domestic counterparties should be included in lines 202 and 209. The institutions listed in the question are not domestic but international counterparties.

18. Regarding unsecured wholesale funding run-offs, does “where the market expects certain liabilities to be redeemed before their legal final maturity date” (paragraph 86 of the Basel III LCR standards) mean that where the counterpart expects a liability to be redeemed with applying

established methods of financial mathematics, then this liability should be modelled with early termination in the LCR?

Answer: Yes, banks and supervisors should assume such behaviour for the purpose of the LCR and include these liabilities as outflows. Also, for funding with options exercisable at the bank's discretion, supervisors should take into account reputational factors that may limit a bank's ability to not exercise the option. This could reflect a case where a bank may imply that it is under liquidity stress if it did not exercise an option on its own funding.

19. Regarding Section 6.1.2 of the instructions on credit and liquidity lines: the definition of "general working capital facilities" suggests that facilities without an explicit function that can be used for various products (money market for short-term business, loans for longer-time business) should be defined as credit facilities. Is that correct?

Answer: General working capital facilities for corporate entities (eg revolving credit facilities in place for general corporate and/or working capital purposes) will not be classified as liquidity facilities but as credit facilities.

20. Suppose a transactional retail deposit holds €90k. €40k is fully insured by an effective deposit insurance scheme, €20k is partly insured (eg for 95%) and €30k is not insured. Which amount may be treated as 'stable'?

Answer: Only the amount that is fully insured can be treated as stable. So in the example, €40k may be treated as stable deposits. The other €50k are only partly insured or not insured and should therefore be reported as less stable.

21. Suppose a non-operational deposit provided by a non-financial corporate holds €125k. The deposit insurance scheme in the jurisdiction where the deposit is placed meets the requirements for an effective deposit insurance scheme, providing full insurance on deposit amounts up to and including €100k. How should this deposit be treated?

Answer: The non-operational deposit does not meet the eligibility requirements for the 20% run-off factor as the entire amount of the deposit (ie €125k) is not fully covered by the effective deposit insurance scheme (given the deposit insurance limit is €100k). This deposit should not be reported in line 157, rather it should be reported in line 158 (and assigned a 40% run-off factor).

22. How should balances in savings accounts which can be withdrawn at any time be treated? Should we assume such accounts mature within 30 days?

Answer: These should be treated similarly to demand deposits if the bank allows depositors to withdraw such balances without applying a significant penalty that is materially greater than the loss of interest.

23. In paragraph 114 of the Basel III LCR standards, it is assumed for secured funding transactions that involve Level 1 assets that no reduction in funding availability against these assets is assumed to occur due to their high-quality nature. For Level 2A assets, for example, a 15% reduction in funding availability will be assigned to maturing secured funding transactions backed by these assets and conducted with counterparties other than the bank's domestic central bank. Under this assumption, if a bank engaged in a \$100 repo transaction backed by a Level 2A asset with a counterparty other than the bank's domestic central bank, only \$85 would be assumed to roll over. Is the \$15 that is assumed not to roll over eligible for the stock of high-quality liquid assets, subject to the appropriate haircut?

Answer: No. The \$15 represents a loss of funding and is taken into account as a cash outflow (the denominator of the ratio) as a result of the 15% weighting in line 195, rather than be incorporated in the stock of liquid assets.

24. The Basel III monitoring instructions state that "the amount of a commitment to be treated as a liquidity facility is the amount of the currently outstanding debt issued by the customer (or

proportionate share, if a syndicated facility) maturing within a 30 day period that is backstopped by the facility. The portion of a liquidity facility that is backing debt that does not mature within the 30-day window is excluded from the scope of the definition of a facility. Any additional capacity of the facility (ie the remaining commitment) would be treated as a committed credit facility and should be reported as such." Please clarify how the supporting lines are included in the LCR calculation.

Answer: When short-term debt, such as commercial paper, has a liquidity line as support, only the portions of the line that are supporting issued and outstanding debt that matures within 30 days and that which, in addition, could be used within the 30-day timeframe (ie the available, unused capacity) are to be included in the LCR calculation.

For example, assume \$75 of debt is currently outstanding, of which \$50 is due within 30 days and the remaining \$25 balance is due beyond 30 days. This paper is backed by a \$120 liquidity facility. The amount of the facility to be included in the LCR calculation as a liquidity facility is \$50. The \$45 in available, unused capacity (calculated as the total line of \$120 less the \$75 in outstanding debt) would be prescribed the credit facility draw rate associated with the counterparty type to which the facility is provided. The \$25 of debt due outside the 30-day window would not be included in the LCR calculation (since that \$25 is funded by debt that could not come due within the 30 days hence no resulting bank outflow could occur within the LCR horizon).

5.2.3 Cash inflows

25. According to the instructions to rows 302 to 305, interest payments should be reported as part of contractual inflows. However, interest payments are an element that is currently not observed in this kind of reporting, and retrieving data on this will be challenging given the timeframe and current IT set-up.

Answer: We recognise that there are many complications facing institutions in this early monitoring stage, particularly related to IT changes to collect and populate the Basel III monitoring template. For purposes of the exercise, institutions are requested to provide data on a best-efforts basis.

26. What is the purpose for row 324 regarding the cap on cash inflows compared to cash outflows?

Answer: Row 324 calculates the maximum amount of cash inflows – ie 75% of cash outflows – to be taken into account in the quantification of net cash outflows, in line with paragraph 144 of the Basel III LCR standards. A cap on total inflows is introduced to prevent banks from relying solely on anticipated inflows to meet their outflows and also to ensure that a minimum amount of liquid assets is held by the bank (ie a minimum of 25% of cash outflows). Row 323 of the worksheet includes the amount of cash inflows before application of the cap, whereas row 325 of the worksheet includes the amount of cash inflows after application of the cap. In cases where the cap on inflows is binding, row 325 will be less than row 323 (and will equal row 324), whereas in cases where the cap on inflows is not binding, row 325 will be equal to row 323.

27. According to paragraphs 171 and 172 of the Basel III LCR standards, when consolidating the LCR, the excess of buffer on an entity can be counted on consolidated LCR only when assets are transferable. Does the liquidity transfer depend on the type of asset (cash, sovereign bonds, corporate bonds, ...) or does it depend only on characteristics related to the reporting entities (incorporation country, ...) and in that case the whole excess is treated in the same way (and no different restrictions are applied according to the product type)?

Answer: When considering whether excess liquidity on a legal entity basis can be included in a firm's consolidated LCR, the firm should consider the provisions outlined in paragraphs 36 to 37 and 171 to 172 of the Basel III LCR standards. In particular it should demonstrate that:

- these excess liquidity buffers are freely available in times of stress for the consolidated firm to use;
- the firm has all liquidity transfer restriction to the extent applicable, captured and accounted for in their assessment of available excess liquidity;
- the convertibility of currency, from the local jurisdiction in which the excess liquidity buffer resides, exists to meet the liquidity needs at the consolidated level and that this convertibility is available during a time of crisis;
- an asset, not in the form of cash, can be converted and transferred to the consolidated firm during a time of crisis.

5.3 NSFR

28. Where the template provides encumbrance terms greater than one year for assets with maturities less than one year, such as in row 150, is it simultaneously possible to have securities with maturities less than one year that are encumbered for greater than one year?

Answer: It is technically possible to encumber assets for longer than their maturity. For example, a bank may transact a one-year repo against a basket of securities and pledge a security that matures in six months. The bank would therefore be required to replace matured covered assets. The same effect could occur in securitisations of revolving assets, such as credit card receivables. If a bank does not undertake this type of activity then it has nothing to report.

29. Regarding secured borrowing in lines 43 through 47, are repos, collateral lending and covered bonds included in this field?

Answer: Yes, the definition of secured borrowing is the same as that used in the LCR: it defines secured funding as “those liabilities and general obligations that are collateralised by legal rights to specifically designated assets owned by the borrowing institution in the case of bankruptcy, insolvency, liquidation or resolution”.

30. Regarding Section 6.2 and in particular Section 6.2.2, of the instructions, please provide additional guidance on how we should treat encumbrances that result from reasons other than pledging or secured funding transactions (ie tied positions).

Answer: Encumbrance should be treated in the same manner regardless of the reason.

31. Where should data for insurance companies, investment companies, etc be reported?

Answer: Data for these entities should be reported in rows 32 and 47 as they are funding from “other legal entities”.

32. In what row should the market value of financial instruments be reported? Are the reported figures supposed to be net figures?

Answer: Assuming that “financial instruments” means derivatives, they should be reported as outlined in Section 6.2.2 of the instructions.

33. Concerning reverse repos, the instructions say they should be treated as secured cash loans.

- In which line(s) should they be reported? As loans depending on the counterparty? If so, this treatment does not seem to agree with paragraph 32 of the Basel III NSFR standards (if the bank will receive cash, then the RSF of the transaction would be 0%).

Answer: Reverse repos should be reported as cash loans according to counterparty. Paragraph 32 is only applicable to assets on balance sheet. Most accounting standards do not result in such assets being recorded on a bank’s balance sheet.

- What distinction is made for the different underlying assets (Level 1, Level 2A, Level 2B, others)?

Answer: Secured loans to financial institutions where such loans are secured against Level 1 assets (and where the bank has the ability to freely rehypothecate the received collateral for the life of the loan) are reported separately from such loans secured by other collateral. See reporting instructions for additional detail.

- What maturity should be considered for assigning the RSF factor, the maturity corresponding to the reverse repo or that of the underlying security?

Answer: The maturity of the reverse repo (secured loan).

- How should reverse repo balances be reported if the collateral received in connection to the reverse repo has been re-hypothecated in a repo or similar transaction?

Answer: If the collateral received in connection to a reverse repo has been re-hypothecated in a repo or similar transaction in which the firm intends to repurchase the collateral, the resulting cash inflows and outflows are assumed to offset and therefore should not be reported. In such cases the balances of the associated reverse repo should be reported as encumbered for the period of re-hypothecation or for the maturity of those balances, whichever is longer. For more information refer to Section 6.2.2 of the Basel III monitoring instructions.

- How should reverse repo balances be reported if collateral received in connection to the reverse repo has been sold outright rather than re-hypothecated in a repo or similar transaction?

Answer: If the collateral received as a result of a reverse repo has been sold, the balances of the reverse repo should be reported as encumbered for a period equal to the entire maturity of the associated reverse repo.

34. How are assets excluded from Level 1 and Level 2 in the LCR because they do not meet the operational requirements (line 60 of the "LCR" worksheet) treated in the NSFR?

Answer: The operational requirements which apply to the LCR are not relevant in the NSFR.

35. The current definition of line 251 (all other assets not included in the above categories) could potentially generate misleading results. A more granular approach would be beneficial for a better understanding and a more accurate reporting of balances.

Answer: Firms can provide to their national supervisors explanatory notes detailing significant exposures in this category upon request.

36. Rows 163 to 168 refer to "residential mortgages of any maturity that would qualify for the 35% or lower risk weight under the Basel II standardised approach for credit risk". Among the "encumbered" classification, it would be useful for analysis purposes to insert a specific sub-category ("of which") with the self-securitisations.

Answer: As this type of encumbrance is not treated differently from other types, no distinction is made in the template. Assets encumbered in self-issued or synthetic (own-name) securitisations should only be reported as encumbered if the securities have been encumbered outside of the reporting entity. For example, if the securities being held by the institution have not been pledged and are still available to raise funding, then the underlying assets can be reported as unencumbered.

37. Concerning derivatives liabilities/assets in lines 49 and 213, is there a reporting distinction for differences in maturity?

Answer: No distinction is made for maturity.

38. Should the time buckets fit the generally binding accounting standards and include the upper bound (≤ 6 months, > 6 months and ≤ 12 months etc)?

Answer: The standard is measured at one year or greater, and the semi-annual buckets were calibrated accordingly.

39. What is the applicable RSF for a plain vanilla reverse repo on a Level 1 asset? Is it 100% as we have to look at the long-term claim which is on the balance sheet or 5% for the collateral held unencumbered? In the first case, is there any liquidity value considered in the NSFR for the Level 1 asset?

Answer: For the purpose of the Basel III monitoring exercise, a reverse repo of any asset for longer than one year is 100%. Therefore, no liquidity value is assigned to the borrowed asset.

40. Some mortgages and loans are only partially secured and are therefore separated into secured and unsecured portions with different risk weights under Basel II. How should these portions be treated in the NSFR template?

Answer: Only the portion of the loan with the appropriate risk weight should be reported. The separate portion at a different risk weight should be reported in the row to which it relates. For purposes of Basel III monitoring reporting, institutions can assume that the secured portion of the loan applies to the longest dated ($> one year$) part of the loan, so long as it remains encumbered for that entire period.

41. Net known derivatives (payable or receivables) should be reported in the LCR as well as the NSFR. It is clear that any known (ie non-contingent) cash flow that will take place within 30 days on derivative positions should be included on a net basis (different lines if payable or receivable). However, should FX spot transactions (spot outright (an exchange between two currencies) and not forward contracts) be taken into account? If they should be included in "net know derivatives", are they treated the same if they have same day settlement or if settled with two-day lag (T+2)?

Answer: Known cash flows related to FX spot transactions should be included in the net known derivatives payable/receivable lines of the LCR template, regardless of the settlement date (providing it is within the 30-day period).

42. How should the portion of amortising loans that comes due within one year be reported on the NSFR template?

Answer: Per paragraph 26 of the Basel III NSFR standards, "for amortising loans, the portion that comes due within the one-year horizon can be treated in the 'less than a year' residual maturity category". Where possible, banks should allocate the amortising portion across the maturity time buckets on the NSFR worksheet.

43. When reporting assets posted as initial margin for derivative contracts or provided to contribute to the default fund of a CCP, should the term for which these assets are to be posted be considered when determining the appropriate line items to report balances?

Answer: All assets posted as initial margin for derivative contracts or provided to contribute to the default fund of a CCP should be reported without regard to the term they are to be posted, with the exception of balances reported in line 239. Initial margin balances reported in line 239 should be reported according to the residual maturity of associated derivative contract(s). Banks should not report assets posted as initial margin or provided as default fund contributions in their relevant asset categories as encumbered assets according to their remaining term of encumbrance. A Level 1 asset posted as initial margin for a period greater than one year, for example, should be included in balances reported in lines 232, 235 and 239 (as well as lines 237, 242 and 243, if applicable) but should not be reported in line 126. An asset posted as initial margin for a derivative contract or provided to contribute to the default fund of a CCP should

continue to be reported in its relevant asset category and not with margin balances only if it is subject to a RSF factor greater than 85% when held unencumbered.

6. Large exposures – interbank review clause

1. As per the QIS instructions for Section 7, banks are requested to report exposure values potentially related to monetary policy implementation and distinguish these from other exposures. This requirement applies to various sections, ie banking book on-balance sheet non-derivatives, trading book, counterparty credit risk for SFTs. Based on the instructions, it is not clear how “exposures potentially related to monetary policy implementation” should be defined and identified.

The bank believes that it does not have exposures with banks that are related to open market operations (“OMO”). The bank does have OMO activities with several central banks. However, being classified as sovereign, the bank does not consider these to be in scope for this QIS.

Therefore, we kindly ask you to provide clarification on the definition, along with some examples, of exposures to banks, which would qualify as exposures potentially related to monetary policy implementation.

Answer: Operations of banks with central banks are indeed not covered in this exercise which only targets interbank exposures.

The objective of this exercise is to collect all interbank exposures potentially related to monetary policy implementation in all jurisdictions. As such, all exposures that correspond to the definitions of rows included below a subset “potentially related to monetary policy implementation” should be reported in the corresponding rows.

For example, any exposure meeting the definition of a negotiable certificate of deposits (CD) should be reported in the corresponding row, regardless of whether the bank assesses that it is related to monetary policy implementation.

There may be reasons for banks to believe that not all exposures identified within this subset may be related to monetary policy implementation. However, for the purposes of this exercise, as stated above, banks should report all interbank exposures that meet the rows’ definitions without making any prior judgements.

2. Particularly, we have some concern regarding the structure of the sheet “LE – banks”, rows 37 to 47 in version 3.2.0 to 3.2.3 of the reporting template (“trading book”). Looking at the template structure and related instructions, our assumptions are the following:

- Exposure to counterparties arising from transactions in OTC derivatives and SFTs have to be reported under the section “counterparty credit risk” – rows 48 to 63.
- The section “trading book” (rows 37 to 47) should be filled in with exposures to issuer risk booked in the trading book, encompassing both direct and indirect exposures, thus meaning exposures in form of bonds, bond futures, bond options, equities and related structures (so every product with an issuer as underlying)

If the above is correct, we are not able to figure out the meaning of rows 41 to 46 (“of which interest rate swaps”, “of which foreign exchange swaps”, “of which overnight index swaps”, etc) since the mentioned classes of products should be affected only by pre-settlement risk and in no circumstances by issuer risk, neither directly nor indirectly.

Answer: Exposure at default for the counterparty credit risk component of transactions in OTC derivatives and SFTs should indeed be reported under the section "Counterparty credit risk". A revised template has been distributed.

For the purpose of this exercise, within OTC derivative transactions, interest rate swaps, foreign exchange swaps, overnight index swaps, interest rate forward/futures, foreign exchange forwards/futures, foreign exchange options are the exposures identified to be potentially related to monetary policy implementation. Banks are requested to report all other OTC derivative exposures as "other exposures (not related to monetary policy intervention)".

All exposures related to market risk in the trading book should be reported in the "Trading book" section, according to the methodology described in the large exposures framework (paragraphs 44 to 59).

3. Section 7.4.2 of the Basel III monitoring instructions states that "Foreign exchange spot transaction would be the transaction of domestic currency against the major foreign currency that would be a target for monetary policy in your jurisdiction". Could we clarify the following:

(a) Should the participating bank's subsidiaries follow the domestic currency of their country or the parent's?

Answer: The subsidiary should consider the domestic currency of the jurisdiction where it is established rather than its parent's jurisdiction.

(b) Does the term "your jurisdiction" refer to the jurisdiction where the parent bank is incorporated?

Answer: Similarly, where a subsidiary fills in the template, it should consider the target of the central bank in the **subsidiary's** jurisdiction.

4. The QIS instructions differ from the revised templates that were sent out. With reference to FAQ 2 under Section 6 of this document, are OTC derivative transactions to be reported only under the "counterparty credit risk" section, and not reported under the trading book (rows 38 and 39 of the "LE-Banks" worksheet)? Accordingly, could the approach for computing the OTC exposures such as options under the trading book be clarified?

Answer: Each trading book exposure (eg options or credit derivatives) should give rise:

- To a reporting in the counterparty credit risk section in consideration of the exposure to the counterparty in that transactions;
- To a reporting in the trading book section in consideration of the underlying exposure if that exposure relates to a bank counterparty.

As an example, if the reporting bank sold a credit derivative to a corporate counterparty which references a bank counterparty, it should report the value of the protection (as described in para 48 of the LE framework) in the column where it reports exposures to the bank. The exposure to the corporate counterparty would be part of the large exposure to the corporate, but will not be reported in this specific QIS.

5. What should the scope be for spot FX transactions under row 25? For example, if a bank trades EUR against USD, and their home currency is EUR, then should banks only report the exposures of positions for EUR/USD and USD/EUR? What about EUR/JPY, JPY/EUR or EUR/GBP and GBP/EUR?

Answer: For spot FX transactions potentially related to monetary policy implementation (row 25), banks should report exposures of **all** FX spot transactions against their domestic currency. There may be reasons for banks to believe that not all FX spot transactions against their domestic currency may be related to monetary policy. However, for the purposes of this exercise, banks

should report all FX spot transactions against their domestic currency, without making any prior judgements.

6. Should exposures to the US Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal National Mortgage Association (Fannie Mae) be considered as banks and be reported?

Answer: No, they should not.

7. Under the SA-CCR method for computing net exposures of counterparty credit risk for OTC derivative transactions, banks may be under netting contracts with their counterparties, which creates a single legal obligation, covering all included transactions. In that case, banks would have a claim to receive or obligation to pay only the net sum of the positive and negative mark-to-market values of included individual transactions (as specified in paragraph 134(i) of *The standardised approach for measuring counterparty credit risk exposures*, March 2014). How should banks allocate their net positions per financial instrument under these circumstances?

Answer Banks should allocate the total EAD to each product type according to the share of net positions. Banks should derive this share from the respective position data used when calculating the replacement cost.

The following table is an **illustrative example**. Banks should report the “quasi-EAD” in the QIS, which is a product of total EAD by the share of net position against the total.

| | | | |
|----------------------|--------------|-------|-----------|
| Total EAD (SA-CCR) | 200 | | |
| | Net position | Share | Quasi-EAD |
| Interest rate swap | 10 | 17% | 33 |
| Overnight Index Swap | 20 | 33% | 67 |
| Cross-currency swap | 30 | 50% | 100 |
| Total | 60 | 100% | 200 |

(Rationale)

Since the SA-CCR exposures (EAD) are only calculated at the netting set level, exposures for each product type are not available in the SA-CCR format. Therefore, banks are requested to produce “best estimates”, by allocating the total EAD to each product type according to the share of the net position.

Under SA-CCR, EAD is calculated according to the following formula:

$$\text{EAD} = \alpha * (\text{Replacement Cost} + \text{Potential Future Add-on})$$

The issue is that the PFE is only calculated at the netting set level. However, the RC, which is the position, can be relatively easily gathered for each product type. Ignoring the netting set, banks should offset the positions within each product type to calculate the share of each product type against the total net position.

8. In row 29 debt securities, the instructions mention that the market values should be reported, whereas earlier in the introduction of Section 7.4.2, the explanation seem to refer to accounting values (net of specific provisions and value adjustments). Which value should be used?

Answer: Indeed the bank should use the exposure value as described in the large exposure framework, ie the accounting value net of specific provisions and value adjustments (see paragraph 32 of the LE framework).

7. Large exposures – CCP review clause

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8. Operational risk

Please refer to the revised instructions set out in the Annex. Changes compared to the original January 2016 version of the *Instructions for Basel III monitoring* have been highlighted.

9. (deleted)

10. (deleted)

9. Standardised approach to credit risk

1. Sovereigns: How should exposures to sovereigns (and PSEs treated as sovereigns) denominated and refinanced in the domestic currency be reported in case they receive a lower risk weight according to paragraphs 5 (and 9) of the second consultation document?

Answer: Provided that the national discretion in paragraph 5 (and 9) of the second consultative document is currently implemented by a jurisdiction, banks in that jurisdiction should (both under the current approach and the proposed revised standardised approach): (i) assign these exposures to the row corresponding to the rating of the sovereign (or PSE treated as sovereign), and (ii) calculate risk-weighted assets (RWAs) by applying the lower risk weight prescribed by their national supervisors under the current standardised approach for these exposures.

2. Banks and Corporates: How should due diligence for exposures to externally rated institutions and corporate be included in the QIS data?

Answer: For QIS purposes only, under ECRA banks should use the risk weights corresponding to the published external ratings without correction for due diligence. In a qualitative note, banks should, on a best effort basis, include estimations of the impact of adjustments to risk weights due to due diligence, and/or explain what difficulties they would have to perform reasonable and adequate due diligence on each bank or corporate borrower.

3. Banks and Corporates: Which approach (ECRA or SCRA) has to be used for calculating RWAs for exposures to institutions and corporates under the proposed standardised approach (column R)?

Answer: Irrespective of the jurisdiction, all banks should calculate RWAs using ECRA for externally rated exposures and SCRA for exposures which are not externally rated.

4. Real estate: When is a real estate loan materially dependent on cash flows from the property?

Answer: For QIS purposes only, if more than 50% of the income of borrower – used in the bank's assessment of its ability to repay – is from cash flows from the property, the loan should be considered 'materially dependent' and subject to the risk weights in paragraph 56 (residential real estate) or paragraph 60 (commercial real estate).

Notably, for IRB banks, all loans to corporate borrowers that currently qualify as IPRE should be assumed to meet the above criterion and should therefore be automatically classified as 'materially dependent'. IRB banks should submit a qualitative note explaining what methods they apply, if any, to assign exposures to IPRE (ie explain how the materially dependent criterion is met).

5. Currency mismatch: Do all banks have to fill in panel C “exposures with a currency mismatch?”
- Answer:** Yes, although F-IRB and SA banks do not have to fill in all columns: A-IRB banks have to fill in all columns, F-IRB banks columns C to H, and SA banks only columns C and D.
6. Currency mismatch: How should a bank determine if there is a currency mismatch for an exposure to a corporate?
- Answer:** Banks have to apply the definition of unhedged exposure in paragraph 63. For QIS purposes only, a bank should only apply the currency add-on for corporate exposures if it is reasonably sure the borrower has no natural or financial hedge against the foreign exchange risk resulting from the currency mismatch. This approach should be followed for both the calculation of RWAs in column R of the “BB SA General” worksheet and columns C and D of the “BB SA Additional” worksheet. In a qualitative note, banks should, on a best effort basis, include an overview of the potential impact of the currency add-on for unhedged corporate exposure for which it is not reasonably sure the borrower has a natural or financial hedge against the foreign exchange risk resulting from the currency mismatch.
7. Off-balance sheet items: What reporting data should be used for the total limit (column C) and undrawn part (column D) in panel A2 of the “BB SA Additional” worksheet?
- Answer:** With regards to panel A2, columns C and D should be populated with data as of 31.12.2015; and columns E, F, G, and H should include defaults which occurred in 2014 - as noted in footnote 77 of the instructions.
8. Off-balance sheet items: In panel A1 of the “BB SA Additional” worksheet, do banks have to include unconditionally cancellable commitment to borrowers which are neither retail nor corporate?
- Answer:** Banks should include all unconditionally cancellable commitment to non-retail borrowers in row (5b) “unconditionally cancellable commitments to corporates” of panel A1, irrespective of whether they are corporates or not.
9. Off-balance sheet items: In panel A2 of the “BB SA Additional” worksheet, banks using the advanced IRB approach to calculate CCFs are requested to provide empirically realised average CCFs. The instructions say that “average CCFs should be default-weighted” (footnote 77). What does that mean?
- Answer:** When calculating the average CCF, banks should divide the sum of CCFs by the number of observations.
10. Deferred tax assets and significant investments in the capital of banking, financial and insurance entities that are below the threshold for deduction are risk-weighted at 250%. What is the relevant row to report these items?
- Answer:** In panel D there are dedicated rows for items that receive a 250% risk weight according to Basel III paragraph 89, which include: (i) Significant investments in the common shares of unconsolidated financial institutions below deduction thresholds; (ii) Mortgage servicing rights; and (iii) DTAs that arise from temporary differences. Although only significant investments below deduction thresholds are mentioned in the title of the rows, all three items should be reported in rows 400 and 405.
11. Real estate: How should the risk weight be determined for a real estate loan which is secured by two properties of which only one meets the operational criteria in paragraph 50?
- Answer:** For QIS purposes only, the bank can classify the loan as general real estate and calculate the LTV on the basis of the value of the collateral of the property which meets the operational criteria in paragraph 50. The additional non-complying collateral should be disregarded for LTV calculations.

12. Real estate: How should the risk weight be determined for a real estate loan which is secured by both residential and commercial properties?

Answer: For QIS purposes only, the bank is allowed to classify the exposure as either residential or commercial real estate. The only collateral that can be recognised will follow the classification of the exposure (ie if the exposure is classified as a residential real estate loan, the commercial properties cannot be recognised in the LTV calculation).

10. Sovereign exposures

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11. Step-in risk

1. When joint ventures are treated under the equity method for both accounting and prudential purposes, should they still be reported in the step-in risk QIS?

Answer: Yes, such joint ventures should be reported. The QIS concerns entities that are not consolidated by the bank for regulatory purposes and the equity method is not considered as consolidation for prudential purposes.

2. How should row 44 (“For asset management funds only: total assets under management”) be filled-in? In particular, should the assets under management (AUM) of funds that are not consolidated prudentially be reported even when the asset manager is consolidated prudentially by the banking group?

Answer: Row 44 should contain the amount of assets under management of either asset management companies themselves or funds that asset management companies manage that are not consolidated prudentially and that trigger step-in risk indicators.

The indicators that must be considered are:

- (a) the primary indicators described in Section 3.1.2 of the CD and listed in rows 12 to 22 of the “Step-in risk” worksheet; and
- (b) the additional indicators specific to asset management provided in the CD in Section 5.4.1 and reported in row 23 of the “Step-in risk” worksheet.

Therefore, an asset management company’s AUM or the funds’ assets should be reported in row 44 as long as one of these indicators is met.

In the case of asset management companies that are consolidated prudentially, but for which the funds are not consolidated, the analysis of step-in risk indicators should apply to the funds (ie they are included in the scope of the QIS).

3. Per the QIS instructions banks are required to categorise in the template any entities in scope into eight entity types (and/or in the category “other”). Inter alia, the template requires separate

data for (i) mortgage or finance companies and (ii) funding vehicles. We would appreciate if you confirm our understanding in respect of the definition of these type of entities:

- Mortgage or finance entities: SPVs/SPEs which provide financing (eg loans) to parties other than the reporting bank.
- Funding vehicle: SPVs/SPEs which provide financing to the reporting bank.

Answer: Yes, your interpretation is correct.

4. Per the consultative document (paragraph 46) one of the elements of being a sponsor is “decision making” (management and/or advice). However, the document does not provide clear guidance as to what shall be understood under decision making. In particular, how is the term “decision making” to be distinguished from “dominant influence” or from having control over the entity (=primary indicator # 7 per the table in Section 3.1.2).

Answer: Decision making, control and dominant influence are not mutually exclusive. In the context of sponsorship, decision making would include:

- Making operational decisions about an entity;
- Managing an entity’s assets on a discretionary basis (eg as a discretionary investment manager) could also be combined with operating);
- Managing an entity’s assets subject to an investment mandate, in case where the bank is not merely acting as an agent and is deemed to be de facto principal (this would most likely be combined with operating the entity in many circumstances).

Of note, in case decision-making has been delegated by establishing an “autopilot” mechanism, where everything is hardwired into the transaction documents, and there is no discretion concerning ongoing activities, the bank should consider that such meet the decision making indicator.

12. Trading book

1. For purposes of reporting, what source should be referenced for definitions of the terminology used in the worksheets “TB IMA General” and “TB IMA Backtesting-P&L”?

Answer: For purposes of reporting, definitions of terminology used in the worksheets “TB IMA General” and “TB IMA Backtesting-P&L are intended to be consistent with definitions specified in the final market risk standard *Minimum capital requirements for market risk*.⁴

2. Should standardised desk capital charges be based on the largest of the three scenario approaches (ie high, medium and low) for the bank or should they be based on the largest of the scenario approaches for the desk.

Answer: The standardised capital charges for each desk should be based on the largest capital charge outcome when applying the three correlation scenarios by desk.

⁴ Basel Committee on Banking Supervision, *Minimum capital requirements for market risk*, January 2016, www.bis.org/bcbs/publ/d352.pdf.

3. Which P&L (actual, hypothetical or risk-theoretical) must be applied in calculating the “p-values” as defined under the final market risk standard?

Answer: Hypothetical P&L should be used in this instance.

4. CVA hedges currently are captured in the market risk capital framework. Given that there is a separate CVA QIS ongoing and CVA hedges are expected to move to the FRTB-CVA framework, should CVA hedges be excluded from the QIS Trading Book worksheets (both for current and new capital)?

Answer: Eligible credit valuation adjustment (CVA) hedges that are included in the CVA capital charge must be removed from the bank’s market risk charge calculations in the trading book for purposes of the QIS Trading Book worksheets. For purposes of this QIS, eligible CVA hedges are defined in Annex 1 of the document *Instructions: CVA QIS*.⁵

⁵ Basel Committee on Banking Supervision, *Instructions: CVA QIS*, February 2016, www.bis.org/bcbs/qis/instructions_CVA_QIS.pdf.

Annex 1: Revised Large exposures – interbank review clause instructions

7.1 Introduction

The Committee is undertaking an exercise to assess the necessity of a specific treatment for interbank exposures, as announced in paragraph 67 of the April 2014 *Supervisory framework for measuring and controlling large exposures* (“the framework”).⁶ The instructions in this document must be read in combination with this framework.

Since the review clause in paragraph 67 focuses on consequences on monetary policy implementation, the exercise includes specifications that define exposures that could be related to monetary policy implementation and require banks to distinguish them from other exposures.

7.2 Scope of exposures included

For the purposes of this exercise, the scope will be limited to all exposures of a bank:

- to any counterparty identified as G-SIB (defined as a bank that is or is part of the bank groups identified as global systemically important banks (G-SIBs)⁷, and
- to any bank when the total exposure value according to the large exposure framework is larger than 5% of Basel III-eligible Tier 1 capital (after regulatory adjustments).

Exposures to entities in the same group as the reporting banks (ie intra-group exposures) should **not** be reported in this exercise. For the purposes of this exercise, intra-group exposures are defined in accordance with the scope of regulatory consolidation defined in the Basel II framework, which determines that all banking and other relevant financial activities (defined as excluding insurance activities), both regulated and unregulated, conducted within a group containing an internationally active bank will be captured through consolidation. Thus, majority-owned or -controlled banking entities, securities entities (where subject to broadly similar regulation or where securities activities are deemed banking activities) and other financial entities should generally be fully consolidated. A bank should treat exposures to entities not included within the scope of regulatory consolidation as outlined here as third party exposures and therefore report these accordingly within the questionnaire.

Any exposures that would normally be deducted from a bank’ capital should also **not** be reported (it is set out in paragraph 31 of the framework that deducted exposures should not be subject to the large exposure limit). But exposures that are 1250% risk-weighted should be reported (see footnote 8 in the framework).

7.3 Nature of counterparties

7.3.1 Groups of connected counterparties

In the framework it is set out that an exposure to a group of counterparties with specific relationships or dependencies such that were one of the counterparties to fail, all of the counterparties would very likely fail, should be subject to the large exposure limit. A group of counterparties may be connected because

⁶ Basel Committee on Banking Supervision, *Supervisory framework for measuring and controlling large exposures*, April 2014, www.bis.org/publ/bcbs283.htm.

⁷ See Financial Stability Board, *2015 update of list of global systemically important banks (G-SIBs)*, 3 November 2015, www.financialstabilityboard.org/wp-content/uploads/2015-update-of-list-of-global-systemically-important-banks-G-SIBs.pdf.

of relationships of control or economic dependencies between them. Paragraphs 19 to 28 of the framework outline the approach to identifying groups of connected counterparties.

Banks are asked to follow the guidance in the framework to identify exposures to groups of connected counterparties. In the questionnaire a bank is asked to state whether an exposure to a specific counterparty is an exposure to a group of connected counterparties or to an individual counterparty ("Yes" if it is a group of connected counterparties and "No" if it is not).⁸ Banks are also asked to highlight the reason why they have grouped a set of connected counterparties (control relationships, economic dependencies, or both).

An individual counterparty or a group of connected counterparties

| Excel row | Heading | Reference in the framework | Definition |
|-----------|--|----------------------------|---|
| 3 | Counterparty reference number | | Non-entry column. |
| 4 | Is the counterparty a group of connected counterparties? | 19–28 | Answer "Yes" if the counterparty is a group of connected counterparties according to the guidance provided in the framework (see paragraphs 19 to 28 in the framework). Answer "No" if the counterparty is an individual counterparty. |
| 5 | Reasons for creating a group of connected counterparties | 19–28 | If the answer in row 4 is "Yes", state the reasons for grouping the set of counterparties: control relationships; economic dependencies; or both. If the answer in row 4 is "No", leave this row blank. |

7.3.2 Counterparty types

The framework outlines review clauses for the treatment of interbank exposures (see paragraphs 65 to 67 of the framework). To gather information relevant to these specific exposures, and for identifying the types of the counterparties, the following counterparty codes shown below should be reported. For example, if a bank reports exposures to counterparties 1 (a G-SIB), 2 (a non-G-SIB), it should specify in the row 'Counterparty type' the codes A1, A2, for these counterparties, respectively.

Any exposure to a counterparty of a type not in the list below should **not** be reported.

In the case of an exposure to a group of connected counterparties, when all of the counterparties within a group are of the same type, a bank should report the code for that type. When the counterparties within a group are of different types a bank should report the type that corresponds to the main activity of this group.

When a banking counterparty is part of a group of connected counterparties and the main activity of the group is not banking, the group of exposures must not be reported.

⁸ A bank should **not** report separately each of the individual exposures to counterparties that comprise a group of connected counterparties.

Counterparty types

| Excel row | Category | Sub-category | Code | Definition |
|-----------|----------|--------------|------|--|
| 6 | Bank | G-SIB | A1 | A bank that is or is part of the bank groups identified as global systemically important banks (G-SIBs). ¹ |
| | | Non-G-SIB | A2 | Banks that are not among the set of G-SIBs. ¹ Exclude banks that are financial market infrastructures (FMIs). |

¹ See Financial Stability Board, *2015 update of list of global systemically important banks (G-SIBs)*, 3 November 2015, www.financialstabilityboard.org/wp-content/uploads/2015-update-of-list-of-global-systemically-important-banks-G-SIBs.pdf.

7.4 Exposure values

In this part of the questionnaire data on exposure values should be reported. Exposure values should be calculated in accordance with the exposure measures set out in the framework. Exposure values should be reported in terms of the currency units specified in the "General Info" worksheet (ie exposure values should not be reported as percentages of capital). Each column will record the information related to all the exposures that the reporting bank has with a particular counterparty.

7.4.1 Total exposures

This part of the questionnaire shows a bank's overall exposures to a specific counterparty.

Banks are also asked to report the total values of exposures to counterparties under current large exposures regulations in their jurisdiction.

Calculated rows

| Excel row | Heading | Paragraph | Definition |
|-----------|--|-----------|--|
| 7 | Total exposure (excluding exposures potentially related to monetary policy implementation) | – | Total exposure value according to the large exposure framework excluding exposures potentially related to monetary policy implementation. Non-entry row. (Entries in this row will be functions of entries in other rows.) |
| 8 | Total exposure (including exposures potentially related to monetary policy implementation) | – | Total exposure value according to the large exposure framework including exposures potentially related to monetary policy implementation. Non-entry row. (Entries in this row will be functions of entries in other rows.) |
| 9 | Total exposure (excluding exposures potentially related to monetary policy implementation) in percentage of Tier 1 | – | Total exposure value according to the large exposure framework excluding exposures potentially related to monetary policy implementation in percentage of Tier 1. Non-entry row. (Entries in this row will be functions of entries in other rows.) |
| 10 | Total exposure (including exposures potentially related to monetary policy implementation) as a percentage of Tier 1 | – | Total exposure value according to the large exposure framework including exposures potentially related to monetary policy implementation in percentage of Tier 1. Non-entry row. (Entries in this row will be functions of entries in other rows.) |

| | | | |
|----|---|---|---|
| 11 | Total exposure under current large exposure rules | – | Total exposure using large exposures rules that apply in your jurisdiction at the time of the reporting date. This should be net of credit risk mitigation in accordance with these rules. Leave blank if current large exposures rules do not apply to an exposure. |
|----|---|---|---|

7.4.2 Banking book on balance sheet non-derivatives

In this part of the questionnaire, a bank is asked to report the values of the elements of its exposure to a specific counterparty that are in the banking book and that do not relate to off-balance sheet commitments and derivative positions.

For banks using the standardised approach for credit risk, exposure values should be calculated in the same way as they would under the standardised approach for the purposes of calculating capital requirements; ie exposure values should be net of specific provisions and value adjustments (see paragraph 32 and footnote 9 of the framework).

For banks using the internal ratings-based approach for credit risk, exposure values should be exposures at default (EAD) but banks are asked to net from these specific provisions and value adjustments to ensure consistency with the exposure values calculated by banks using the standardised approach (see paragraph 32 and footnote 9 of the framework). However, should the netting of specific exposures and value adjustments be operationally burdensome for banks using the internal ratings-based approach for credit risk, they may report gross exposure values instead.

Banks are asked to decompose balance sheet exposures into elements in the form of loans to banks, investments in debt securities issued by banks, and investments in equities issued by banks.⁹ An 'Other' category should be used for other forms of exposure that do not fall into loans, debt securities, or equities categories.

In the case of loans to banks, this is further decomposed into exposures potentially related to monetary policy implementation, such as unsecured call money lending, foreign exchange spot transactions, and offshore money market transactions. For unsecured call money lending, this is decomposed into the residual maturity of the exposure.

Banking book on balance sheet non-derivatives

| Excel row | Heading | Paragraph in the framework | Description |
|-----------|----------------|----------------------------|--|
| 14 | Total exposure | | Sum of loans, debt securities, equities and other exposures in the banking book to a counterparty. Non-entry row. |
| 15 | Total loans | 32 | For a bank using the standardised approach for credit risk: exposure value net of specific provisions and value adjustments. For banks using the internal ratings-based approach for credit risk: exposure at default net of specific provisions and value adjustments or exposure at default (if netting of specific provisions and value adjustments is too operationally burdensome). Non-entry row. |

⁹ Other securities (eg preference shares) should be included in either the debt or the equity categories in accordance with the rules in the Basel II framework.

| | | | |
|----|--|----|---|
| 16 | Of which potentially related to monetary policy implementation | | <p>Sum of total unsecured call money lending, foreign exchange spots transactions, total offshore money market transactions and total negotiable certificates of deposits which are potentially related to monetary policy implementation.</p> <p>Unsecured call money lending would be an unsecured interbank money market transaction.</p> <p>Foreign exchange spot transaction would be the transaction of domestic currency against the major foreign currency that would be a target for monetary policy in your jurisdiction (eg if the domestic currency was EUR and the targeted foreign currency was USD, then the sum of EUR/USD and USD/EUR)</p> <p>Offshore money market transaction would be the unsecured interbank money market transaction that would be conducted in domestic currency in an offshore market in relation to your jurisdiction.</p> <p>Negotiable certificates of deposits (CDs) would be an interbank transaction using a savings instrument issued by banks.</p> <p>Non-entry row.</p> |
| 17 | Of which total unsecured money market lending | | In this sub-rubric, potentially related to monetary policy implementation covers unsecured call money. |
| 18 | Overnight(O/N) | | Exposure of transactions that starts today (T+0) and ends the next business day (T+1). Maturity should be residual maturity. |
| 19 | > overnight and ≤ 1 week | | Exposure of transactions with a residual maturity of over than T+1, but less than or equal to 1 week. |
| 20 | > 1 week and ≤ 2 weeks | | Exposure of transactions with a residual maturity of over than 1 week, but less than or equal to 2 weeks. |
| 21 | > 2 weeks and ≤ 1 month | | Exposure of transactions with a residual maturity of over than 2 weeks, but less than or equal to 1 month. |
| 22 | > 1 month and ≤ 3 months | | Exposure of transactions with a residual maturity of over than 1 week, but less than or equal to 3 months. |
| 23 | > 3 months and ≤ 1 year | | Exposure of transactions with a residual maturity of over than 3 week, but less than or equal to 1 year. |
| 24 | > 1 year | | Exposure of transactions with a residual maturity of over 1 year |
| 25 | Of which total foreign exchange spots | | Foreign exchange spot transaction would be the transaction of domestic currency against the major foreign currency that would be a target for monetary policy in your jurisdiction (eg if the domestic currency was EUR and the targeted foreign currency was USD, then the sum of EUR/USD and USD/EUR) |
| 26 | Of which total offshore money market transactions | | Offshore money market transaction would be the unsecured interbank money market transaction that would be conducted in domestic currency in an offshore market in relation to your jurisdiction |
| 27 | Of which total negotiable certificates of deposits (CDs) | | Exposures to negotiable certificates of deposits (CDs) issued by banks that are potentially related to monetary policy implementation. |
| 28 | Other loans (non-related to monetary policy implementation) | | All loans that are non-related to monetary policy in your jurisdiction |
| 29 | Total debt securities | 65 | <p>The sum of debt securities issued by banks that are related to and non-related to monetary policy implementation.</p> <p>Market value of holdings.</p> <p>(See paragraphs 709(i)–(iii).)</p> <p>Non-entry row.</p> |

| | | | |
|----|--|----|---|
| 30 | Of which potentially related to monetary policy implementation | | Exposures to debt securities issued by banks that are potentially related to monetary policy implementation. Non-entry row. |
| 31 | Of which total commercial papers (CPs) | | Exposures to commercial papers (CPs) issued by banks that are potentially related to monetary policy implementation. |
| 32 | Of which other debt securities (non-related to monetary policy implementation) | | Exposures to debt securities issued by banks that are non-related to monetary policy implementation. |
| 33 | Total equities | 46 | Exposures to equities issued by banks Market value of holdings. (See paragraph 718(xix) of the Basel II framework.) |
| 34 | Others | | Exposures other than loans, debt securities, equities, others |

7.4.3 Banking book off-balance sheet commitments

In this part of the questionnaire, a bank is asked to report the values of the elements of its exposure to a specific counterparty that are in the banking book and in the form of off-balance sheet commitments. Banks are asked to report the values of these exposures under the set of credit conversion factors (CCFs) applicable for the standardised approach for credit risk in the Basel II framework, with a 10% floor.

Banking book off-balance sheet commitments

| Excel row | Heading | Paragraph | Description |
|-----------|---------------------------------|-----------|--|
| 36 | CCFs according to the framework | 35 | Apply CCFs to off-balance sheet items as set out in paragraphs 82–86 of the Basel II framework, but replace 0% CCF with a 10% CCF. |

7.4.4 Trading book

In this part of the questionnaire, a bank is asked to report the values of the elements of its exposure to a specific counterparty that are in the trading book.

But investments in index positions, securitisations, hedge funds, or collective investment undertakings should be reported in the section of the questionnaire called “structures” (see Section 7.4.6 of these instructions).

A bank is asked to report the total exposure value of the elements of its exposure to a specific counterparty that are in the trading book before **and** after offsetting of long and short positions in accordance with the approach set out in the framework (see paragraphs 51 to 59 of the framework). Banks are allowed to offset long and short positions in the same issue (ie in the same instrument) and long positions in an issue can be offset against short positions in more junior issues of the same issuer. If the net position in one exposure type is short a bank should report a zero value.

A bank is also asked to report values of positions in debt securities and equities issued by a counterparty where a bank has invested in these claims directly. The measures of these exposures should be the market value of the positions. For example, there may be long positions that can be netted with short positions resulting from option positions.

A bank is asked to report values of positions in claims issued by a counterparty where a bank has invested in these claims indirectly.

- For swaps, futures, and forwards on a claim issued by a specific counterparty, a bank should use the decomposition into individual legs for the purposes of calculating capital requirements in the Basel II framework and report the long position as the exposure.
- Banks should provide the relevant maturity breakdowns where applicable.
- For credit derivatives that represent sold credit protection on a claim issued by a specific counterparty, the exposure to the counterparty is the amount due to be paid to the buyer of the protection in the case of the trigger event occurs minus the absolute value of the credit protection plus the market value of the credit derivative to the seller in the event that this value is positive (see paragraphs 48 and footnote 19 of the framework).
- For credit-linked notes, a bank acting as protection seller should consider positions both in the bond of the note issuer and in the underlying referenced by the note (see paragraph 48).
- For options for which a claim to a specific counterparty is the underlying in the option contracts, a bank should use the measures set out in paragraphs 47 and footnote 18 in the framework.

Any other exposures in the trading book that do not fit into any of the above categories should be reported in the 'Other' row.

| Trading book | | | |
|--------------|------------------------------------|-----------|--|
| Excel row | Heading | Paragraph | Description |
| 38 | Total exposure (after offsetting) | 44–59 | Sum of net exposures after each long position in an issue has been offset against short positions in more junior issues. |
| 39 | Total exposure (before offsetting) | 44–59 | Sum of gross exposures before offsetting (ie sum of long positions). |

7.4.5 Counterparty credit risk

In this part of the questionnaire banks are asked to report elements of exposures to specific counterparties that arise from these being counterparties in derivative trades and in securities financing transactions (SFTs). (SFTs are repurchase agreements, reverse repurchase agreements, securities lending, securities borrowing, and margin lending transactions.)

It is set out in the framework that banks should use the standardised approach for counterparty credit risk (SA-CCR) to calculate the exposure values for instruments that give rise to counterparty credit risk (see paragraph 33 of the framework). As this framework will enter into force in 2017, banks are allowed to report in this part the exposure amount either according to the SA-CCR method or according to **whichever** method they currently use to measure exposure amount or EAD for instruments with counterparty credit risk for the purposes of calculating capital requirements. Thus, depending on which method a bank chooses, it should report its exposure to a specific counterparty arising from derivative trades with that counterparty using the exposure amount or EAD under SA-CCR, Current Exposure Method, the Standardised Method, or the Internal Models Method.

For SFTs, the framework provides for the use of the comprehensive approach with supervisory haircuts to measure exposures associated with SFTs.

For repo and reverse repo exposures, banks should provide the relevant maturity breakdowns where applicable.

N.B. Collateral: Whether a bank uses the SA CCR, the Current Exposure Method, the Standardised Method or the Internal Models Method, the counterparty credit risk exposure to derivatives counterparties that it reports in this section is reported net of collateral, since collateral is recognised by the above mentioned methods. As a result, a bank should **not** account for the same collateral again in

Section 7.4.7 ('Credit risk mitigation'). But a bank **should** account for an exposure to an issuer of securities serving as collateral in these exposures in Section 7.4.8 ('Exposures to a CRM provider').

Similarly, because exposures to SFT counterparties calculated using the comprehensive approach with supervisory haircuts are calculated net of collateral, a bank should **not** account for the same collateral again in Section 7.4.7 ('Credit risk mitigation'). But a bank **should** account for the exposure to the issuer of the securities serving as collateral in these exposures in Section 7.4.8 ('Exposures to a CRM provider').

Counterparty credit risk

| Excel row | Heading | Paragraph | Description |
|-----------|--|-----------|--|
| 41 | Total exposure | | Sum of exposures to specific counterparties that arise from these being counterparties in derivative trades and in securities financing transactions (SFTs). |
| 42 | Of which derivatives Of which potentially related to monetary policy implementation | – | The sum of interest rate swaps, foreign exchange swaps, overnight index swaps, interest rate forwards/futures, foreign exchange forwards/futures, foreign exchange options. |
| 43 | Of which total interest rate swaps | 47 | The sum of exposures in interest rate swaps. See paragraphs 718(xi)–(xii) of the Basel II framework. |
| 44 | Of which total foreign exchange swaps | 47 | The sum of exposures in foreign exchange swaps. See paragraphs 718(xi)–(xii) of the Basel II framework. |
| 45 | Of which total overnight index swaps | 47 | The sum of exposures in overnight index swaps. See paragraphs 718(xi)–(xii) of the Basel II framework. |
| 46 | Of which total interest rate forwards/futures | 47 | The sum of exposures in interest rate forwards/futures. See paragraphs 718(xi)–(xii) of the Basel II framework. |
| 47 | Of which total foreign exchange forwards/futures | 47 | The sum of exposures in foreign exchange forwards/futures. See paragraphs 718(xi)–(xii) of the Basel II framework. |
| 48 | Of which foreign exchange options | 49 | The sum of exposures in foreign exchange options. Sum of values of long and short call options, long and short put options, using the following formulae: Long call option = market value of the option Short put option = strike price of the option – market value of the option Short call option = -1*market value of the option Long put option = -1*(strike price of the option – market value of the option) |
| 49 | Of which other exposures (non-related to monetary policy) | | For any other trading book exposures not covered in items above that could generate losses in the event of the failure of a counterparty and are not investments in index positions, securitisations, hedge funds, or collective investment undertakings, use the value of the exposure that would be lost in the event of the failure of the counterparty (assuming a 100% loss-given-default). |
| 50 | Securities financing transactions (securities lending) | | SFTs are repurchase agreements, reverse repurchase agreements, securities lending, securities borrowing, and margin lending transactions. Non-entry row. |
| 51 | Of which potentially related to monetary policy implementation | | SFTs which are potentially related to monetary policy implementation. Non-entry row. |
| 52 | Overnight(O/N) | | Exposure of transactions that starts today (T+0) and ends the next business day (T+1). Maturity should be residual maturity. |

| | | | |
|----|---|--|--|
| 53 | > overnight and ≤1 week | | Exposure of transactions with a residual maturity of over than T+1, but less than or equal to 1 week. |
| 54 | > 1 week and ≤ 2 weeks | | Exposure of transactions with a residual maturity of over than 1 week, but less than or equal to 2 weeks. |
| 55 | > 2 weeks and ≤1 month | | Exposure of transactions with a residual maturity of over than 2 weeks, but less than or equal to 1 month. |
| 56 | > 1 month and ≤ 3 months | | Exposure of transactions with a residual maturity of over than 1 week, but less than or equal to 3 months. |
| 57 | > 3 months and ≤ 1 year | | Exposure of transactions with a residual maturity of over than 3 week, but less than or equal to 1 year. |
| 58 | > 1 year | | Exposure of transactions with a residual maturity of over 1 year |
| 59 | Collateralised by sovereign bonds | | SFTs collateralised by sovereign bonds. Sum of values in rows 59 to 62 should be equal to sum of values in rows 52 to 58. |
| 60 | Collateralised by corporate bonds | | SFTs collateralised by corporate bonds. Sum of values in rows 59 to 62 should be equal to sum of values in rows 52 to 58. |
| 61 | Collateralised by cash | | SFTs collateralised by cash. Sum of values in rows 59 to 62 should be equal to sum of values in rows 52 to 58. |
| 62 | Collateralised by equities / others | | SFTs collateralised by equities and others. Sum of values in rows 59 to 62 should be equal to sum of values in rows 52 to 58. |
| 63 | Of which other securities lending (unrelated to monetary policy implementation) | | For any other exposures not covered in items above. |

7.4.6 Collective investment undertakings, securitisations, and other structures

This section collects the information related to the exposures that may arise from the investments a bank has in "structures" (ie a fund, a securitisation vehicle or other type of vehicle with underlying assets). See paragraphs 72 to 83 of the framework for details on the treatment of these exposures. Banks should report in this part exposures identified through the implementation of the framework to the extent that these exposures are exposures to banks, in line with the specific scope of this exercise.

The information a bank is asked to include for each transaction they invest in depends on whether a particular transaction passes a "materiality test": if the bank's exposure amount to each underlying asset of the structure does not exceed 0.25% of the bank eligible capital base, considering only those exposures to underlying assets that result from the investment in the structure itself and using the exposure value calculated according to paragraphs 78 and 79, then the test is passed and a bank does not have to look through to the underlying exposures.

A bank must look through the structure to identify those underlying assets for which the underlying exposures value is equal to or above 0.25% of its eligible capital base.

If the materiality test is passed, a bank does not need to report anything in this template.

If the granularity test is not passed, a bank should identify the underlying exposures and any underlying exposure to a specific banking counterparty should be reported (in row 65).

In addition, banks are required to assess possible additional risks (see paragraphs 80 to 83 in the framework). When such risks are identified, banks would recognise a new exposure in row 63. If this identified risk factor is common to several transactions, then banks should connect these transactions as

a group of connected counterparties. In the case that the bank has also a direct exposure to a third party where that third party also represents a common risk factor to a transaction(s), its exposure to such transaction should be added to any direct exposure to the third party only when the bank can lose its investment in the transaction in the event of the default of the third party (ie in the case that the third party is the credit protection provider). In this case, the transaction/transactions connected by this common risk factor would be recorded in the row that corresponds to the counterparty that acts as additional risk factor (under the row 65).

There may also be cases where the risk of loss on a transaction due to a third party does not arise due to the failure of that third party. In this case, the exposure to the transaction should not be reported in this template.

7.4.7 Credit risk mitigation

This section of the questionnaire collects data on effects of credit risk mitigation (CRM) on exposure values. The purpose of this section is to get information on the amounts by which exposures to counterparties are reduced by the different forms of CRM. Positive numbers filled in this section will be deducted from exposure amounts reported elsewhere in the template. Banks are asked to distinguish between CRM techniques that are affected to exposures potentially related to monetary policy implementation from CRM techniques affected to other exposures.

Banks are asked to report data on the amount by which an exposure to a specific counterparty is reduced due to the use of CRM techniques, both unfunded and funded, in accordance with the framework (paragraph 42).

Banks are asked to report data on the effects of unfunded CRM on an exposure to a specific counterparty, using guarantees and using credit derivatives.

Banks are also asked to report data on the effects of funded CRM (ie financial collateral) on an exposure to a specific counterparty. Under the provisions in the framework:

- if a bank applies the simple approach for the purposes of determining capital requirements it should use this method for determining the effect of funded CRM on an exposure to a specific counterparty – a bank that uses the simple approach is asked to report the value of the portion of a claim collateralised by the market value of the recognised financial collateral;
- if a bank applies the comprehensive approach for the purposes of determining capital requirements it should use this method for determining the effect of funded CRM on an exposure to a specific counterparty using the set of supervisory haircuts.

The value of the effects of CRM a bank should include in row 67 of the template should be calculated following the general CRM framework set out in paragraphs 109 to 120 of the Basel II framework.

| Calculated rows | | | |
|-----------------|--|-----------|--|
| Excel row | Heading | Paragraph | Definition |
| 67 | Total value | – | Non-entry row. (Entries in this row will be functions of entries in other rows.) |
| 68 | of which reducing exposures potentially related to monetary policy implementation | – | Total value of CRM techniques that reduce exposures reported in rows signalled as potentially related to monetary policy implementation. |
| 69 | of which reducing other exposures than potentially related to monetary policy implementation | – | Total value of CRM techniques that reduce exposures reported in rows other than signalled as potentially related to monetary policy implementation. |

7.4.8 Exposures to a CRM provider

In the framework it is set out that when a bank reduces its total exposure to a specific counterparty because of CRM it assigns the reduction in this exposure to the providers of the CRM (see paragraph 43 of the framework), **except** when the provider of the CRM is exempted from the scope of the exercise (eg any collateral issued by a non-bank counterparty).¹⁰ For example, if a bank's exposure to counterparty 1 is secured by x worth of collateral in the form of debt securities issued by counterparty 2, then a bank reduces its exposure to counterparty 1 by x but increases its exposure to counterparty 2 by x .

In this part of the questionnaire we ask banks to report the exposures assigned to a counterparty that provides CRM. The amount assigned to the CRM provider is the amount by which the exposure to the original counterparty is reduced (see paragraph 43 of the framework).

7.4.9 Exposures to a provider of a position hedge

In this section banks are asked to report exposures to a provider of a credit derivative that is a hedge for position in the trading book (see paragraph 56 of the framework). That is, if a bank hedges a position, the value of this position is reduced by the value of the hedge but in doing so a new exposure to the provider of the credit derivative, with the value equal to that of the hedge, is created.

For example, suppose that a bank has a trading book position representing 100 of credit protection sold by Counterparty 1 against Company A. The bank then hedges its exposure to Company A by buying 100 of credit protection against Company A from Counterparty 2. The bank would use row 69 to report its exposure to Counterparty 2 arising from the credit protection it has purchased.

Exposures to a provider of a position hedge

| Excel row | Heading | Paragraph | Description |
|-----------|---|---------------|--|
| 73 | Value of hedge using credit derivatives | 52, 53 and 56 | The value of the exposure to the seller of a credit derivative that is a hedge to a trading book position. This is the amount of exposure that is netted from other trading book positions. |

¹⁰ There is an exception to the general treatment set out in paragraph 57 of the framework. However this exception only applies when the counterparty is not a financial entity, which cannot be the case according to the scope of this exercise.

7.4.10 Exposures to covered bonds

In this section banks are asked to report exposures to covered bonds (see paragraphs 68 to 71 of the framework). When banks consider that covered bonds meet the conditions set out in paragraph 69, they should apply multiplier set out by the national regulation implementing the framework if it is available, if this national regulation is not available yet, the bank should assign a 20% multiplier to the bond value.

Exposures to a bank through covered bonds' holding

| Excel row | Heading | Paragraph | Description |
|-----------|--|-----------|--|
| 75 | Total exposure | 68–71 | Non-entry row (sum). |
| 76 | Exposure values of eligible covered bonds | 68–71 | Exposure value of covered bonds meeting conditions set out in paragraph 70 |
| 77 | Nominal value of eligible covered bonds | 68–71 | Nominal value of covered bonds meeting conditions set out in paragraph 70 |
| 78 | Exposure value of ineligible covered bonds | 68–71 | Exposure value of covered bonds not meeting conditions set out in paragraph 70 |

7.5 Maximum and average exposure values for selected items from previous period

In this separate section banks are asked to report maximum and average exposure values of selected items from a previous period. This period should be representative of a pre-crisis environment, that is, prior to the financial crisis and before the central banks of the respective jurisdiction implemented monetary policy measures in response to the crisis. By default, banks are expected to use the period January 2006 – December 2006, although banks may discuss with their respective national supervisors alternative periods if more relevant.

Typically, the expectation would be to take the maximum and average value of an end of period reporting date (eg end of day, end of month or end of quarter exposure depending on the level of granular data available) that would span over the time period (ie from January 2006 to December 2006)

In the heading rows 79 (Maximum exposure values of selected items in previous period (observed or best estimates)) and 115 (Average exposure values of selected items in previous period (observed or best estimates)), banks should indicate whether the values completed represent observed values or best estimates.

Annex 2: Revised operational risk instructions

The “OpRisk” worksheet collects data to support the current work of the Committee on operational risk, including that aiming at revising the standardised approaches and the Advanced Measurement Approaches. Even though some of the data requested in this survey have already been collected in the past, the Committee believes it is appropriate to have a comprehensive data collection on proxy indicators and operational risk losses, after the publication of the consultative document on the review of the standardised approaches in October 2014 and the progress in the internal discussion on the future of the internal models for operational risk.

The “OpRisk” worksheet collects data on five panels: balance sheet and other items (panel A), income statement (panel B), operational risk losses (panel C), capital requirements (panel D), capital calculation (panel E), and additional income statement items (panel F).

Panels from A to D, and panel F should be completed by all the banks on a best effort basis, regardless the method adopted for regulatory purposes (ie AMA, TSA/ASA, BIA). Panel E should be filled by AMA banks only. If the information is not available or not applicable, the corresponding cell should be left empty.

As for other parts of the Basel III monitoring template, the data in the “OpRisk” worksheet should be reported on a group-wide consolidated basis as of for all entities which are consolidated by the bank for risk-based regulatory purposes.

Data should be reported in the most convenient currency (to be recorded in the “General Info” worksheet) as of end-December of the reference years. For each reference year, year T refers to the fiscal years closed in the period from end-September T to end-June T+1. For example the reference year 2012 encompasses all the fiscal years closed between end-September 2012 and end-June 2013.

9.1 Panel A “Balance sheet and other items”

Panel A collects information on specific items of the balance sheet and a few other items.

| Row | Column | Heading | Description |
|-----|--------|------------------------------|--|
| 7 | I-M | Number of employees | Headcount of employees. The number should include temps and outsourced resources but not consultants. |
| 8 | I-M | Total Assets | Total on-balance sheet assets |
| 9 | I-M | Interest-earning Assets | Total on-balance sheet assets generating interest income, including total gross outstanding loans, advances, interest-bearing securities (including government bonds) measured at the end of each financial year. |
| 10 | I-M | Interest-bearing Liabilities | Total on-balance sheet liabilities bearing interest expenses |
| 11 | I-M | Tangible Assets | Assets classified as “Property, plant and equipment” and Investment property. It also includes assets subject to operating lease and assets obtained by taking possession of collateral that remains recognised in the balance sheet at the reference date (“Foreclosure”) |

| Row | Column | Heading | Description |
|-----|--------|---|---|
| 12 | I-M | Assets under custody | Assets, including cross-border assets, that the bank holds as a custodian on behalf of customers, including other financial institutions (ie financial institutions outside of the reporting group). Include such assets even if they are being held by a third party acting as a sub-custodian (eg central securities depositories, payment systems, central banks and sub-custodians). Do not include any assets under management or assets under administration which are not also classified as assets under custody. To distinguish trading from non-trading books items, the criteria in the Committee's new <i>Minimum capital requirements for market risk</i> should be used. ¹¹ |
| 13 | I-M | Assets under management and/or administration | Assets under management and Assets under administration which the bank does not hold as a custodian |
| 14 | I-M | Payments activity | Total payments made in the reporting year excluding intragroup payments. To distinguish trading from non-trading books items, the criteria in the Committee's new <i>Minimum capital requirements for market risk</i> should be used. ¹² |

9.2 Panel B "Income statement"

Panel B collects information on specific items of the income statement.

| Row | Column | Heading | Description | Sub-items |
|-----|--------|--|---|---|
| 18 | I-M | Gross Income | Gross income as defined in paragraph 650 of the Basel II framework. The definition used for regulatory purposes or as defined by the relevant national supervisor should be adopted (for instance, in EU the "Relevant Indicator" definition should be used). | |
| 19 | I-M | Interest income (except for financial and operational lease) | Interest income coming from all financial assets and other interest income. Interest income from financial and operating lease should not be included in this item. | Interest income from loans and advances, assets available for sale, assets held to maturity, and trading assets Interest income from hedge accounting derivatives Other interest income |
| 20 | I-M | Interest expenses (except for financial and operating lease) | Interest expense coming from all financial liabilities and other interest expenses. Interest expenses from financial and operating lease should not be included in this item. | Interest expenses from deposits Interest expenses from debt securities issued Interest expenses from hedge accounting derivatives Other interest expenses |

¹¹ Basel Committee on Banking Supervision, *Minimum capital requirements for market risk*, January 2016, www.bis.org/bcbs/publ/d352.htm.

¹² Basel Committee on Banking Supervision, *Minimum capital requirements for market risk*, January 2016, www.bis.org/bcbs/publ/d352.htm.

| Row | Column | Heading | Description | Sub-items |
|-----|--------|--|--|---|
| 21 | I-M | Fee and commission income | Income received for providing fee-based advices and services. Includes income received by the bank as outsourcer of financial services. | Fee and commission income from: <ul style="list-style-type: none"> • Securities (issuance, origination, reception, transmission, execution of orders on behalf of customers) • Clearing and settlement • Asset management • Custody • Fiduciary transactions • Payment services • Structured finance • Servicing of securitisations • Loan commitments and guarantees given • Foreign transactions |
| 22 | I-M | Fee and commission expenses | Expenses paid for receiving advice and services. Includes outsourcing fees paid by the bank for the supply of financial services, but not outsourcing fees paid for the supply of non-financial services (eg, logistical, IT, human resources) | Fee and commission expenses from: <ul style="list-style-type: none"> • Clearing and settlement • Custody • Servicing of securitisations • Loan commitments and guarantees received • Foreign transactions |
| 23 | I-M | Net profit (loss) on financial operations (trading book) | To distinguish trading from non-trading books items, the criteria in the Committee's new <i>Minimum capital requirements for market risk</i> should be used. ¹³ | Net profit/loss on trading assets and liabilities (derivatives, debt securities, equity securities, loans and advances, short positions, other assets and liabilities). Net profit/loss on financial assets or liabilities measured at fair value through profit or loss. Realised net gains/losses on financial assets and liabilities not measured at fair value through profit or loss (loans and advances, assets available for sale, assets held to maturity, financial liabilities measured at amortized cost). Net profit/loss from hedge accounting. Net profit/loss from exchange differences. |
| 24 | I-M | Net profit (loss) on financial operations (non-trading book) | | |
| 25 | I-M | Other operating income | Income from ordinary banking operations not included in other BI items but of similar nature. Income from operating lease should not be included in this item. | Rental income from investment properties. Gains from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (IFRS 5.37). |

¹³ Basel Committee on Banking Supervision, *Minimum capital requirements for market risk*, January 2016, www.bis.org/bcbs/publ/d352.htm.

| Row | Column | Heading | Description | Sub-items |
|-----|--------|---|--|--|
| 26 | I-M | Other operating expenses | Expenses and losses from ordinary banking operations not classified in other BI's items, but of similar nature, and from operational risk events. Expenses from operating lease should not be included in this item. | Losses from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (IFRS 5.37). Losses incurred as a consequence of operational loss events (eg, fines, penalties, settlements, replacement cost of damaged assets), which have not been provisioned/reserved for in previous years. Expenses related to establishing provisions/reserves for operational loss events. |
| 27 | I-M | Dividend income | Dividend income from investment in stocks and funds not consolidated in the bank's financial statements, including dividend income from non-consolidated subsidiaries, associates and joint ventures. | |
| 28 | I-M | Administrative expenses | Expenses related to general operations and overall administration of a bank's businesses | Staff expenses Outsourcing fees paid for the supply of non-financial services (ie logistical, IT, human resources) Other administrative expenses, including expenses for IT, utilities, telephone, travel, office supplies, postage, etc. |
| 29 | I-M | Administrative expenses, of which: Staff expenses | Total compensation paid, including salaries, benefits, bonuses, pension and similar expenses | |
| 30 | I-M | Administrative expenses, of which: Investment in Business Continuity and Disaster Recovery | Expenses supported to implement or enhance systems of business continuity and disaster recovery | |

The following sub-items should not contribute to any of the items requested in panel B:

- Income and expenses from insurance or reinsurance businesses
- Premiums paid and reimbursements/payments received from insurance or reinsurance policies purchased
- Recovery of administrative expenses including recovery of payments on behalf of customers (eg taxes debited to customers)
- Expenses of premises and fixed assets (except when these expenses result from operational loss events)
- Depreciation/amortisation of tangible and intangible assets (except depreciation related to operating lease assets, which should be included in financial and operating lease expenses)
- Provisions/reversal of provisions (eg on pensions, commitments and guarantees given) except for provisions related to operational loss events

- Expenses due to share capital repayable on demand
- Impairment/reversal of impairment (eg on financial assets, non-financial assets, investments in subsidiaries, joint ventures and associates)
- Changes in goodwill recognised in profit or loss
- Corporate income tax (tax based on profits including current tax and deferred tax).

9.3 Panel C. "Operational risk losses"

Panel C collects aggregated data on the number and amount of operational risk losses, split by event types, which are eligible for AMA capital calculation (eg pure operational risk losses, boundaries with market risks). Therefore all the losses that are, or might be, used in an AMA regulatory capital should be included into this Section. The BCBS AMA supervisory guidelines as of June 2011 should be referred to for collection, treatment and reporting of these losses. In particular:

- The losses should be **reported** on the basis of the discovery date or accounting date of the loss event
- The losses caused by a common operational risk event or by multiple events linked to a single root-event should be grouped and reported as a single loss;
- In each reporting year, the loss adjustments of single or linked events discovered (accounted) since 1 January 2006 should be reported;
- Data should be gross of any recoveries due to insurance and other risk mitigants.

| Row | Column | Heading | Description |
|---|--------|---|--|
| 35–40, 54–57, 69–72, 84–87, 99–102, 114–117, 129–132, 144–147 | D–M | Number of loss events ≥ € 10,000 € 20,000 € 100,000 € 1,000,000 € 10,000,000 (whole bank only) € 100,000,000 (whole bank only) | Number of internal loss events greater than or equal to: € 10,000; € 20,000; € 100,000; € 1,000,000; € 10,000,000 (whole bank only); € 100,000,000 (whole bank only) in the reference year. The data should be reported for the whole bank and split by event type. The total number of internal loss events from the threshold value to infinite should be reported. |
| 42–47, 59–62, 74–77, 89–92, 104–107, 119–122, 134–137, 149–152 | D–M | Total amount of losses ≥ € 10,000 € 20,000 € 100,000 € 1,000,000 € 10,000,000 (whole bank only) € 100,000,000 (whole bank only) | Total amount of internal losses greater than or equal to: € 10,000; € 20,000; € 100,000; € 1,000,000; € 10,000,000 (whole bank only); € 100,000,000 (whole bank only) in the reference year. The data should be reported for the whole bank and by event type. The total amount of internal losses from the threshold value to infinite should be reported. |

| Row | Column | Heading | Description |
|------------------------------------|--------|---|---|
| 49, 64, 79, 94, 109, 124, 139, 154 | D–M | Maximum loss (in this year) | Maximum single internal loss in the reference year. The data should be reported for the whole bank and split by event type |
| 50, 65, 80, 95, 110, 125, 140, 155 | D–M | Sum of the five largest losses (in this year) | Sum of the five largest internal losses in the reference year. The data should be reported for the whole bank and split by event type |
| 51, 66, 81, 96, 111, 126, 141, 156 | D–M | Up to date sum of the five largest losses | Sum of the five largest internal losses between 2005 and the reference year (including 2005 and the reference year). The data should be reported for the whole bank and split by event type |
| 53, 68, 83, 98, 113, 128, 143, 158 | D–M | Threshold applied in loss data collection | Minimum threshold applied in the collection of the internal losses. In case there are different thresholds for loss data collection, the highest applicable threshold should be indicated. |

9.4 Panel D: “Capital requirements”

Panel D collects specific information on the capital requirements for regulatory purposes.

| Row | Column | Heading | Description |
|-----|--------|---|---|
| 162 | J–M | Approach to operational risk (Basel II/III) | Approach to operational risk used at the consolidated level at the reference end-year. |
| 164 | J–M | RWA for operational risk (after application of the regulatory add-ons and before the application of the transitional floors); of which: Basic Indicator Approach (BIA) | Risk-weighted assets for operational risk (after application of the regulatory add-ons and before application of the transitional floors, where applicable) of the parts under the Basic Indicator Approach for the year-ends from 2012 to 2015. The capital charge should be converted to risk-weighted assets. |
| 165 | J–M | RWA for operational risk (after application of the regulatory add-ons and before the application of the transitional floors); of which: Standardised Approach (TSA) | Risk-weighted assets for operational risk after application of the regulatory add-ons and before application of the transitional floors, where applicable) of the parts under the Standardised Approach for the year-ends from 2012 to 2015. The capital charge should be converted to risk-weighted assets. |
| 166 | J–M | RWA for operational risk (after application of the regulatory add-ons and before the application of the transitional floors); of which: Alternative Standardised Approach (ASA) | Risk-weighted assets for operational risk (after application of the regulatory add-ons and before application of the transitional floors, where applicable) of the parts under the Alternative Standardised Approach for the year-ends from 2012 to 2015. The capital charge should be converted to risk-weighted assets. |
| 167 | J–M | RWA for operational risk (after application of the regulatory add-ons and before the application of the transitional floors); of which: Advanced Measurement Approaches (AMA) | Risk-weighted assets for operational risk (after application of the regulatory add-ons and before application of the transitional floors, where applicable) of the parts under the Advanced Measurement Approach for the year-ends from 2012 to 2015. The capital charge should be converted to risk-weighted assets. |

| Row | Column | Heading | Description |
|-----|--------|--|--|
| 168 | J-M | Regulatory add-ons | Risk-weighted assets of the parts under the Advanced Measurement Approach for the year-ends from 2012 to 2015 corresponding to the regulatory add-ons that have been applied by the supervisory agency. |
| 169 | J-M | Total risk-weighted assets (after application of the regulatory add-ons and before application of the transitional floors) | Risk-weighted assets for Pillar 1 risks (after application of the regulatory add-ons and before application of the transitional floors, where applicable) for the year-ends from 2012 to 2015. The capital charge should be converted to risk-weighted assets. |

9.5 Panel E: "Capital calculation"

Panel E collects additional data related to the capital calculation performed through internal-based models. The panel should be filled by AMA banks only.

| Row | Column | Heading | Description |
|-----|--------|---|---|
| 175 | J-M | AMA RWA before the recognition of Expected Losses, Diversification, Insurance and other risk mitigants: At the regulatory percentile (99.9%) | Risk-weighted assets for operational risk at the 99.9% percentile (before the recognition of expected losses, diversification, insurance and other risk mitigants) for the parts under the Advanced Measurement Approach for the year-ends 2012 and 2015. The capital charge should be converted to risk-weighted assets. |
| 176 | J-M | AMA RWA before the recognition of Expected Losses, Diversification, Insurance and other risk mitigants: At the 99.5% percentile | Risk-weighted assets for operational risk at the 99.5% percentile (before the recognition of expected losses, diversification, insurance and other risk mitigants) for the parts under the Advanced Measurement Approach for the year-ends 2012 and 2015. The capital charge should be converted to risk-weighted assets. |
| 177 | J-M | AMA RWA before the recognition of Expected Losses, Diversification, Insurance and other risk mitigants: At the 99% percentile | Risk-weighted assets for operational risk at the 99% percentile (before the recognition of expected losses, diversification, insurance and other risk mitigants) for the parts under the Advanced Measurement Approach for the year-ends 2012 and 2015. The capital charge should be converted to risk-weighted assets. |
| 178 | J-M | AMA RWA before the recognition of Expected Losses, Diversification, Insurance and other risk mitigants: At the 97.5% percentile | Risk-weighted assets for operational risk at the 97.5% percentile (before the recognition of expected losses, diversification, insurance and other risk mitigants) for the parts under the Advanced Measurement Approach for the year-ends 2012 and 2015. The capital charge should be converted to risk-weighted assets. |
| 179 | J-M | AMA RWA before the recognition of Expected Losses, Diversification, Insurance and other risk mitigants: At the 95% percentile | Risk-weighted assets for operational risk at the 95% percentile (before the recognition of expected losses, diversification, insurance and other risk mitigants) for the parts under the Advanced Measurement Approach for the year-ends 2012 and 2015. The capital charge should be converted to risk-weighted assets. |
| 180 | J-M | AMA RWA before the recognition of Expected Losses, Diversification, Insurance and other risk mitigants: At the 90% percentile | Risk-weighted assets for operational risk at the 90% percentile (before the recognition of expected losses, diversification, insurance and other risk mitigants) for the parts under the Advanced Measurement Approach for the year-ends 2012 and 2015. The capital charge should be converted to risk-weighted assets. |

| Row | Column | Heading | Description |
|-----|--------|--|---|
| 181 | J-M | AMA RWA before the recognition of Expected Losses, Diversification, Insurance and other risk mitigants: At the 80% percentile | Risk-weighted assets for operational risk at the 80% percentile (before the recognition of expected losses, diversification, insurance and other risk mitigants) for the parts under the Advanced Measurement Approach for the year-ends 2012 and 2015. The capital charge should be converted to risk-weighted assets. |
| 184 | J-M | AMA RWA reduction (at the regulatory percentile of 99.9%) due to: Expected losses | Risk-weighted assets reduction due to expected losses of the parts under the Advanced Measurement Approach for the year-ends 2012 and 2015. Only banks whose reduction has been recognised by the supervisory agency should fill this cell. |
| 185 | J-M | AMA RWA reduction (at the regulatory percentile of 99.9%) due to: Diversification | Risk-weighted assets reduction due to diversification of the parts under the Advanced Measurement Approach for the year-ends 2012 and 2015. Only banks whose reduction has been recognised by the supervisory agency should fill this cell. |
| 186 | J-M | AMA RWA reduction (at the regulatory percentile of 99.9%) due to: Insurance and other risk mitigants | Risk-weighted assets reduction due to insurance and other risk mitigants of the parts under the Advanced Measurement Approach for the year-ends 2012 and 2015. Only banks whose reduction has been recognised by the supervisory agency should fill this cell. |

9.6 Panel F: "Additional income statement items"

Panel F collects specific information on financial and operating lease.

| Row | Column | Heading | Description | Sub-items |
|-----|--------|--|---|--|
| 191 | I-M | Financial and operating lease income | Income from financial and operating lease | Interest income from financial lease Interest income from operating lease Profits from leased assets |
| 192 | I-M | Financial and operating lease expenses | Expenses from financial and operating lease | Interest expenses from financial lease Interest expenses from operating lease Losses from leased assets Depreciation and impairment of operating lease assets |