Basel Committee
on Banking Supervision

Frequently asked questions on Basel III monitoring

13 April 2018

BANK FOR INTERNATIONAL SETTLEMENTS

This publication is available on the BIS website (www.bis.org/bcbs/qis/).

Grey underlined text in this publication shows where hyperlinks are available in the electronic version.

ISSN 92-9131-872-8 (print)

ISSN 92-9197-872-8 (online)

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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"), *Basel III: The Net Stable Funding Ratio* ("the Basel III NSFR standards"), *Total Loss-Absorbing Capacity (TLAC): Principles and Term Sheet*, *Minimum capital requirements for market risk*, *Revisions to the securitisation framework, amended to include the alternative capital treatment for "simple, transparent and comparable" securitisations* as well as to the *TLAC holdings standard*[1] and the Committee's *Finalisation of post-crisis reforms*.[2]

In addition to the guidance for completing the monitoring template contained in this document, the Committee has published frequently asked questions (FAQ) 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, the Basel III leverage ratio and the net stable funding ratio (NSFR) published by the Committee.[3]**

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.

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: Finalising post-crisis reforms*, December 2017, www.bis.org/bcbs/publ/d424.htm.

3 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, Basel Committee on Banking Supervision, *Basel III: The standardised approach for measuring counterparty credit risk: frequently asked questions*, August 2015, www.bis.org/bcbs/publ/d333.htm; Basel Committee on Banking Supervision, *Frequently asked questions on the Basel III leverage ratio framework*, April 2016, www.bis.org/bcbs/publ/d364.htm; Basel Committee on Banking Supervision, *Basel III – The Net Stable Funding Ratio: frequently asked questions*, July 2016, www.bis.org/bcbs/publ/d375.htm; Basel Committee on Banking Supervision, *Frequently asked questions on market risk capital requirements*, January 2017, www.bis.org/bcbs/publ/d395.htm.

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.

2. Some of the data requested are based on standards as they will be applicable in 2022. While we are currently not yet applying IFRS 9, we will apply IFRS 9 in 2022. Therefore, should all 2022 data be reported on an IFRS 9 basis?

   Answer: No. All data should be provided based on accounting standards as applicable at the reporting date, with the sole exception of the data to be provided on the "DefCap-Provisioning" worksheet.

3. How should banks fill in the reporting template that are subject to a de minimis exemption from the market risk capital requirements?

   Answer: All four cells from C31 to D32 on the "General Info" worksheet should be set to "No". The current versions of the reporting template do not offer a specific treatment for such banks in the aggregation of risk-weighted assets. Therefore, banks may also enter a zero in cells G7, G28 and G63 to G86 of the "TB" worksheet if they want to benefit from the calculation of overall risk-weighted assets on the "Requirements" worksheet. However, entering these zeros is not necessary in order for the bank to be included in the analysis.

3. Definition of capital

3.1 General

1. Please clarify what data should be populated in panel E) Memo item: Investments in the capital or other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and below the threshold for deduction (D109:118, E109:118) 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 TLAC

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3.3 TLAC holdings

1. Please clarify what data should be populated in column F of panel A): "RWA Impact pure" and the interaction with the "Requirements" sheet.

   Answer: The column F ("RWA Impact pure") in "TLAC holdings" works in the same way as column F in panels B2, C2 and D2 of the "DefCap" worksheet. This means that banks need to report the RWA marginal impact of moving from the national implementation of the TLAC holdings standard (column D: "2022 national implementation") to the treatment under the Basel standard (column E: "Basel III pure").[4]

   Where national implementation is still underway, banks have two options:

   - Reporting in "TLAC holdings" the same amounts in columns D and E and zero in column F. This approach should be followed where it is likely that the national implementation will be aligned to the Basel framework. In this case, to avoid double counting, any impact on RWA deriving from the implementation of the Basel framework for the TLAC instruments needs to be included as a negative number in cell D30 in the "Requirements" worksheet;
   - Reporting in "TLAC holdings" different data for the deductions of the TLAC instruments under the draft or final national rules (column D) and the Basel framework (column E) and in column F the marginal impact on RWA. This approach should be followed where national implementation has begun and where banks are able to provide data under the two different regimes (and compute the impact on RWA). In this case, banks are expected to include in the figures reported in cell D30 of the "Requirements" worksheet the RWA of TLAC instruments not yet deducted and not included in the "TLAC holdings" worksheet. This is in order to neutralise what under the current rules (excluding any rules on TLAC deductions) is under the RWA framework but will be deducted from the capital when the TLAC holdings standard is fully implemented.

4. Leverage ratio

1. For cash pooling transactions to be reported on panel A rows 16 and 17, please clarify how banks are to report 'Accounting balance sheet value' (column H) and 'Gross value (assuming no netting or CRM)' (column I). Relatedly, how are banks to report interest associated with cash pooling transaction accounts?

   Answer: For 'Accounting balance sheet value' (column H), banks are to report the sum of all cash pooling transactions reported as assets on the bank's accounting balance sheet under its relevant accounting standard with consideration given to the regulatory scope of consolidation. For 'Gross value (assuming no netting or CRM)' (column I), banks are to report the sum of accounting values (net of specific provisions and valuation adjustments), assuming no accounting netting or credit risk mitigation effects. If amounts of interest associated with cash pooling transactions are

[4] For further details, refer to the example reported in the Instructions (paragraph 4.2.3) for regulatory adjustments in the "DefCap" worksheet.

included on the bank's balance sheet, these amounts should also be included in the values reported in column H and column I.

2. For some cash pooling accounts, transfers of credit and/or debit balances of individual participating accounts into a single account balance take place on a daily basis, while in other cases such transfers only occur on a weekly or monthly basis. How should this be reflected in the reporting of amounts on rows 16 and 17 of panel A and rows 155 and 156 of panel J?

   Answer: All cash pooling accounts (regardless of the frequency of by which balance transfers take place) should be included in rows 16 and 155. In rows 17 and 156, banks should report only amounts associated with cash pooling transactions that fulfil the requirements of paragraph 31 of the December 2017 revised leverage ratio standard. Accounts that are subject to balance transfers into a single balance on at least a daily basis are considered to meet the criteria of paragraph 31. Accounts that are not subject to balance transfers on at least a daily basis must be assessed against the criteria in paragraph 31 to determine their measurement for purposes of the leverage ratio.

5. Liquidity

5.1 General

1. Deleted.

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. 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

Questions 3–27 removed.

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" worksheet?

    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" worksheet, 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" worksheet?

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. Monitoring of credit risk reforms

6.1 General

1. Should settlement risk exposures be reported in row 96 of the "Requirements" worksheet, or rather in row 140 of the "Credit risk (all banks)" worksheet and row 56 of the "Credit risk (IRB banks)" worksheet as appropriate?

Answer: Settlement risk exposures should be reported in row 140 of the "Credit risk (all banks)" worksheet and row 56 of the "Credit risk (IRB banks)" worksheet as appropriate. Row 96 of the "Requirements" worksheet will be greyed out starting from version 3.7.3 of the reporting template; banks using earlier versions should enter zeros in all cells of this row.

6.2 Worksheet "Credit risk (all banks)"

1. Can banks report standardised approach real estate exposures under both the loan splitting approach and the whole loan approach?

   Answer: No, banks should report their real estate exposures under either the loan splitting approach or the whole loan approach. The relevant supervisor will provide guidance to reporting banks as to which of the two approaches all banks in their jurisdictions should use.

2. Some non-banks can be treated as banks under paragraph 37 of the standardised approach of Basel III if the national supervisor determines that the regulatory and supervisory framework in their jurisdiction is equivalent to the one that applies to banks. What approach should banks follow when completing the template?

   Answer: National supervisors will to provide guidance on this to reporting banks in their jurisdiction.

6.3 Worksheet "Credit risk (IRB banks)"

1. Under the AIRB approach there is a parameter floor on EAD (calculated as the on-balance sheet exposure plus 50% of the off-balance sheet exposure calculated using the applicable credit conversion factor). Should banks apply this parameter floor to retail exposures as well as corporate exposures?

   Answer: As set out in Table 3 of the Basel III summary document[5] the floor applies to both retail and corporate exposures. This is clearly stated in paragraph 105 of the IRB approach for corporate exposures. The lack of reference to the EAD floor in the Basel III IRB retail section was an oversight that will be corrected in due course. Banks must apply the EAD floor to both corporate and retail exposures in completing the "Credit risk (IRB banks)" worksheet.

2. Under the revised framework, has the 1.06 scaler that applies to RWA calculated under the IRB approach been removed for all exposures including sovereign exposures?

   Answer: Yes. Footnote 3 of Basel III (December 2017) removes the 1.06 scaler for all risk-weighted asset amounts calculated under the IRB approach. Banks must not apply the 1.06 scaler in the RWA amounts reported in the revised IRB framework section of the "Credit risk (IRB banks)" worksheet.

3. Is there any difference between the pre-CRM and post-CRM exposure value columns in the IRB section of the template?

   Answer: There is no difference. The IRB framework does not allow CRM to reduce on-balance sheet exposure values. The E* amount in the current FIRB rules is only applicable for calculating the LGD of the exposure, it is not relevant for calculating the EAD. Similarly, the EAD is unaffected in the final Basel III rules by the presence of collateral. As a consequence, amounts should only be reported in the "post-CRM" exposure column of the IRB worksheet. The "pre-CRM" columns will be greyed out in the next version of the reporting template. Specifically, regarding the columns in panel A on the IRB worksheet, columns C, O, AB, AS, BE and BQ should be left blank.

4. How should equity exposures be reported in panel B of the "Credit risk (IRB banks)" worksheet?

   Answer: In addition to reporting equity exposures in row 49 of panel A, banks should report equity exposures in panel B. In panel B, exposures subject to a grandfathering treatment should be in row 81, typically with an EL amount of 0. Non-grandfathered exposures should be reported in row 80. As there is no distinction between FIRB and AIRB for equity, banks should report their

5 See www.bis.org/bcbs/publ/d424_hlsummary.pdf.

exposures as either FIRB or AIRB and enter zero for the other approach. Starting with version 3.7.5 of the reporting template, data should be entered in the "Total IRB exposures" area instead.

5. In columns CF and CG of panel A of the "Credit risk (IRB banks)" worksheet, should exposures be reported gross or net of provisions?

Answer: In columns CF and CG of panel A of the "Credit risk (IRB banks)" worksheet, exposures should be reported fully in line with the standardised approach exposure definition, in particular **net** of specific provisions (including partial write-offs). Any warnings in column CI which are triggered because of this should be ignored.

6.4 Worksheet "Securitisation"

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7. Operational risk

1. How should banks interpret the term "gross" in the description of "BI gross of excluded divested activities (per supervisory approval)" under row 68?

Answer: Banks should report in row 68 an adjusted Gross Income which exclude divested activities (after application of paragraph 30). This row will be used to analyse the impact of paragraph 30 in the 'OpRisk' under the final Basel III framework. Furthermore, under Panel B banks should use the regulatory scope of consolidation at the specific reporting year (before application of paragraph 30).

The above reporting would be consistent to Panel C, ie reporting in the first step values without considering supervisory approval (rows 29–34 and rows 45–52) and in the second step considering supervisory approval (rows 39–41 and 55–57).

2. Banks have collected loss data about operational risk events in the previous years. To calculate the Loss Component (LC) for the capital requirement the bank has to assess if all loss elements that are assigned to a single event over the ten year horizon add to a total loss equal or above the threshold. The requested thresholds are at €20,000 and €100,000.

Since the data collection covers twelve years it is not entirely clear which ten-year-period should be the basis of for the threshold analysis.

Answer: For the loss data included into the basis QIS data collection (ie the years 2008 to 2017) the period from 2008 to 2017 should be qualifying criteria.

For loss data from 2007 (requested only by some jurisdictions), the period from 2007 to 2016 should be qualifying criteria.

For loss data from 2006 (requested only by some jurisdictions), the period from 2006 to 2015 should be qualifying criteria.

Rationale: First, the aim is it to receive internationally comparable data, therefore whenever different qualifying criteria come to different results, the global QIS should provide guidance. Only for cases where the global QIS study does not collect or define data the individual jurisdictions can collect or define additional data. In no way data for the global collection should be distorted by deviating definitions.

Example 1: If a single loss event results into the accounting of a loss impact of €15,000 in each year 2006, 2007 and 2008.

- For 2008: It should be reported as "€0", since according to the basis version of the QIS request the aggregated data for the relevant period from 2008 to 2017 would remain €15,000 and therefore below the threshold. [€15,000 is below €20,000.]
- For 2007:
  - For the threshold of €20,000 (lines 28–43): It should be reported as "€15,000", since this is not part of the basis version of the QIS. When assessing which data elements are to be included for 2007 it should be judged on the basis, if the period from 2007 to 2016 is above the threshold. [€30,000 is above €20,000.]
  - For the threshold of €100,000 (lines 44–60): It should not be reported since it is below the threshold. [€30,000 is below €100,000.]
- For 2006:
  - For the threshold of €20,000 (lines 28–43): It should be reported as "€15,000", since this is not part of the basis version of the QIS. When assessing which data elements are to be included for 2006 it should be judged on the basis, if the period from 2006 to 2015 is above the threshold. [€45,000 is above €20,000.]
  - For the threshold of €100,000 (lines 44–60): It should not be reported since it is below the threshold. [€45,000 is below €100,000.]

Example 2: If a single loss event results into the accounting of a loss impact of €15 million in 2006, €50 million in 2007 and €-40 million in 2008. In this example the differentiation between the €20,000 and the €100,000 thresholds is not relevant.

- For 2008: It should be reported as "€0", since according to the basis version of the QIS the aggregated data for the relevant period from 2008 to 2017 would remain be €-40 million and therefore below the threshold. [€-40 million is below €20,000 or €100,000.]
- For 2007: It should be reported as "€50 million", since this is not part of the basis version of the QIS. When assessing which data elements are to be included for 2007 it should be judged on the basis, if the period from 2007 to 2016 is above the threshold. [€10 million is above €20,000 or €100,000.]
- For 2006: It should be reported as "€15 million", since this is not part of the basis version of the QIS. When assessing which data elements are to be included for 2006 it should be judged on the basis, if the period from 2006 to 2015 is above the threshold. [€25 million is above €20,000 or €100,000.]

8. Trading book

8.1 Worksheet "TB"

1. Deleted.
2. Deleted.
3. Deleted.
4. Deleted.
5. In panel C ("Trading desks"), how should a trading desk's hedging strategy be assessed in order to determine whether it is "well hedged"?

   Answer: This assessment should be done by the bank based on expert judgement. Where possible, a qualitative document explaining the approach should be provided.

8.2 Worksheet "TB IMA Backtesting-P&L"

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

   Answer: For purposes of reporting, definitions of terminology used in the worksheets "TB" 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*.[6]

2. 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.

3. Deleted.
4. Deleted.
5. Deleted.
6. Should VaR and its corresponding P&L be reported in the same column or should the two values be reported as of actual calculation date (eg VaR and corresponding P&L reported in date 't+1' or VaR reported in date '*t*' and its corresponding P&L in date '*t+1*')?

   Answer: VaR for reporting date '*t*' is to be compared against P&L derived at the end of '*t+1*' reporting date. For the purposes of this exercise, the bank should report VaR for date '*t*' in the same column as P&L for date '*t+1*'.

8.3 Worksheet "TB risk class"

1. In panel B ("General interest rate risk"), for the second part (cells F82 to F93), should banks report a capital charge for the 34 listed currencies of panel B or for the whole portfolio?

   Answer: Capital charges reported in cells F82 to F93 should be consistent with data reported in cells F45 to EL78. Institutions should report the aggregate capital charge for each of the 34 currencies listed in cells B45 to B78.

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

2. Deleted.

3. Deleted.

4. Deleted.

5. Deleted.

6. Deleted.

7. Please clarify the reporting units to be used when reporting data in the "TB risk class" worksheet.

   Answer: In reporting weighted sensitivities and squared weighted sensitivities, the bank must use consistent units throughout the worksheet. For example, data that is reported in thousands means that, a weighted sensitivity value reported is obtained by dividing the actual number by 1,000, consequently, the squared value of that sensitivity must be divided by 1,000,000.

8. Deleted.

9. What assumptions should the bank incorporate to report ES values for 'Global trading book scenario 1' in panel A cells M17:M35?

   Answer: For reporting ES values for 'Global trading book scenario 1', the bank is to calculate the capital requirement as defined in the revised market risk standard but with the assumption that triangulation of currency pairs is permitted to determine liquidity horizons to be used in the calculation.

8.4 Worksheet "TB SA current"

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8.5 Worksheet "TB SA FRTB"

1. In the summary table and panels A through G, please confirm the calculations of total SBA and the total capital charges for each risk class are consistent with the FRTB.

   Answer: The formulas used in the template to generate the total SBA (row 16) and total capital charges per risk class (rows 20, 36, 52, 68, 84, 100, 116) have been corrected in a new version of the template. Banks have the option of using the revised version of the template to reflect these corrections. For banks that utilise an older version of the template, corrections to the calculations in those cells will be made upon receipt of the submission.

9. CVA

1. For a bank that uses the full BA-CVA approach, is the bank required to complete both row 24 (R reduced (assuming hedges are not recognised)) and row 25 (K hedged (assuming recognition of all eligible hedges))?

   Answer: Yes, the bank is required to fill values in both row 24 (K_reduced) and row 25 (K_hedged). While K_hedged acknowledges that a bank might have eligible hedges which can be recognised in the CVA capital charge position, K_reduced is required to account for potentially imperfectly hedged or unhedged positions.

2. Paragraph 10 of the *Minimum capital requirements for CVA risk* (December 2017) states, "Banks that use the BA-CVA or the SA-CVA for calculating CVA capital requirements may cap the maturity adjustment factor at 1 for all netting sets contributing to CVA capital when they calculate CCR

capital under the Internal Ratings Based (IRB) approach." Does "maturity adjustment factor" refer to the "Full maturity adjustment" as defined in footnote 14 of paragraph 53 of the Internal ratings-based approach for credit risk (December 2017)?

Answer: Yes.

3. Are client cleared transactions permitted to be excluded from values reported in panel D of the 'CVA' worksheet?

Answer: No. Client cleared transactions may not be excluded from values reported on panel D.

4. Are all house trades with CCPs permitted to be excluded from values reported in panel D of the 'CVA' worksheet?

Answer: Yes. All house trades with CCPs may be excluded from values reported on panel D.

5. Paragraph 30 of the *Minimum capital requirements for CVA risk* (December 2017) requires a bank to set a minimum margin period of risk (MPOR) of 10 days for the purpose of calculating its exposures under SA-CVA. In cases where the capital requirements for counterparty credit risk allow for a lower minimum MPOR (eg 5 days for repo-style transactions), would a minimum MPOR be permitted for use to determine the SA-CVA values to be reported panel D of the 'CVA' worksheet?

Answer: No. The minimum MPOR to be used to determine SA-CVA for panel D is 10 days.

10. Sovereign exposures

1. Panel D of the "Sovereign exposures" worksheet requires banks to provide the weighted to short ratio for their sovereign exposures in the trading book (column T). However, this column is greyed out. Should banks fill in this column?

Answer: Yes, banks with sovereign exposures in the trading book should complete the relevant cells in column T of panel D. A revised version of the Basel III monitoring template (version 3.5.2) has been circulated which fixes this error. Banks with no sovereign exposures in the trading book are unaffected by the change made to the template and can continue to use one of the previous versions.

2. Panels D and E of the "Sovereign exposures" worksheet require banks to report their trading book "exposures". How should the latter be calculated?

Answer: "Exposure amounts" and "trading book exposures" refer to the exposure at default.

3. Given net short positions should be reported as negative numbers in panel D of the "Sovereign exposures" worksheet, some of the checks in this panel may fail even though the data are correct. Should banks report zero instead of negative numbers?

Answer: No. In case of net short positions any resulting error messages in panel D should be ignored.

4. How should the exposure value be calculated for sovereign exposures held in the trading book?

Answer: "Exposure amounts" and "Trading book exposures" for panels D and E refer to exposures at default.

5. Panel C requires banks to report indirect exposures through collateral currently subject to a zero haircut – what does this refer to?

Answer: This refers to instances where national supervisors have exercised the national discretion set out in paragraph 170 of the Basel II framework to apply a haircut of zero for repo-style transactions where the counterparty is a core market participant.

11. Survey

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Annex 1: Worksheet "TB" – closed form questions (panel D)

Default risk charge (DRC)	
Q-1	For the purpose of this QIS, is your bank able to calculate and report the default risk charge (DRC) under the FRTB standardised approach (SA)? • 1: Yes, bank is able to calculate the DRC consistent with the FRTB standard for all positions subject to this capital charge. • 2: No, bank is unable to calculate the DRC for all or some positions **or** the calculation is inconsistent with the FRTB standard (eg proxy use).
Q-2	If you selected "2: No" in Q-1, what did your bank report for SA DRC in this QIS? • 1: Used a proxy. (Please describe the methodology in a supplementary qualitative document.) • 2: Reported zero because the relevant default risk does not exist or is deemed immaterial for the portfolio. • 3: Did not report a figure (ie left the cell blank).
Q-3	For the purpose of this QIS, is your bank able to calculate and report the default risk charge (DRC) under the FRTB internal models approach (IMA)? • 1: Yes, bank is able to calculate the DRC consistent with the FRTB standard for all positions subject to this capital charge. • 2: No, bank is unable to calculate the DRC for all or some positions **or** the calculation is inconsistent with the FRTB standard. • 3: Not applicable. Bank does not use IMA.
Q-4	If you selected "2: No" in Q-3, what did your bank report for IMA DRC in this QIS? • 1: Used a proxy. (Please describe the methodology in a supplementary qualitative document.) • 2: Reported zero because the relevant default risk does not exist or is deemed immaterial for the portfolio. • 3: Did not report a figure (ie left the cell blank).
Expected shortfall (ES)	
Q-5	For the purpose of this QIS, does the ES value reported include only eligible risk factors (ie risk factors deemed non-modellable are excluded from the calculation)? • 1: Yes, only those risk factors that are modellable per FRTB standard are included in the ES calculation. • 2: No, all risk factors currently included in the firm's VaR model are also included in the ES calculation regardless of eligibility per para 183(c). (Please describe in a supplementary qualitative document.)
Q-6	For the purpose of this QIS, is your bank able to calculate ES for FX - scenario 1 (ie allowing for triangulation of non-liquid currency pairs)? • 1: Yes, bank calculated ES directly using the shorter LH where relevant. • 2: No. (eg scaled down ES for FX status quo due to technical limitations) (Please describe the methodology in a supplementary qualitative document.)
Q-7	For the purpose of this QIS, is your bank able to apply the liquidity-horizon adjustment defined in paragraph 181 (c) of the FRTB standard? • 1: Yes, bank is able to apply a liquidity-horizon adjustment consistent with the FRTB standard and reported accordingly. • 2: No, bank assumed a constant 10-day liquidity horizon for all risk factors. • 3: No, bank made other assumptions. (Please describe in a supplementary qualitative document.)
Q-8	For the purpose of this QIS, is your bank able to calculate the **stressed** Expected Shortfall using a **reduced set** of risk factors ($ES_{R,S}$)? • 1: Yes, bank is able to calculate $ES_{R,S}$ consistent with the FRTB standard and reported accordingly. • 2: No, bank made other assumptions (eg full set of risk factors is used directly). (Please describe in a supplementary qualitative document.)

Q-9	For the purpose of this QIS, is your bank able to calculate the **current** Expected Shortfall using a **full set** of risk factors (*$ES_{F,C}$*)? • 1: Yes, bank is able to calculate *$ES_{F,C}$* consistent with the FRTB standard and reported accordingly. • 2: No, bank made other assumptions. (Please describe in a supplementary qualitative document.) • 3: Not applicable. Bank calculated **stressed** Expected Shortfall directly using the full set of risk factors.
Q-10	For the purpose of this QIS, is your bank able to calculate the **current** Expected Shortfall using a **reduced set** of risk factors (*$ES_{R,C}$*)? • 1: Yes, bank is able to calculate *$ES_{R,C}$* consistent with the FRTB standard and reported accordingly. • 2: No, bank made other assumptions. (Please describe in a supplementary qualitative document.) • 3: Not applicable (ie bank calculated **stressed** Expected Shortfall directly using the full set of risk factors).
Q-11	For the purpose of this QIS, is the stressed period used different from the current period (ie *$ES_{R,S} \neq ES_{R,C}$*)? • 1: Yes. • 2: No. (Please describe in a supplementary qualitative document.)
Q-12	For the purpose of this QIS, is the stressed period used to calculate stressed Expected Shortfall different from the period of significant financial stress used to calibrate SVaR? • 1: Yes. • 2: No.
Non-modellable risk factors and stressed expected shortfall capital add-on (SES)	
Q-13	Deleted.
Q-14	Deleted.
Q-15	Deleted.
Q-16	Deleted.
Q-17	Deleted.
Q-18	Deleted.
Residual risk add-on (RRAO)	
Q-19	For the purpose of this QIS, is your bank able to calculate the residual risk add-on (RRAO) under the FRTB Standardised Approach (SA)? • 1: Yes, bank is able to calculate RRAO for every risk type (gap risk, correlation risk, etc) consistent with the FRTB standard and reported accordingly. • 2: No, bank is able to calculate the notional amount of products subject to RRAO, but unable to allocate the share of total RRAO to each risk type. • 3: No, bank is unable to calculate the notional amount of products subject to RRAO.
Q-20	If you selected “2: No” in Q-18, how did your bank report the figure for the residual risk add-on in this QIS? • 1: Assumed that all residual risks are with exotic underlying and applied a 1.0% multiplier to the notional. • 2: Assumed that no residual risks are with exotic underlying and applied a 0.1% multiplier to the notional. • 3: Reported zero because there is no residual risk (ie the notional amount is zero). • 4: Did not report a figure (ie left the cell blank).
TB IMA Backtesting-P&L	
Q-21	For the purpose of this QIS, is your bank able to calculate the 99% VaR for all trading desks? • 1: Yes, bank is able to calculate the 99% VaR and reported accordingly. • 2: No. (Please explain the nature of the challenge in a supplementary qualitative document.)
Q-22	For the purpose of this QIS, is your bank able to calculate the 97.5% VaR for all trading desks? • 1: Yes, bank is able to calculate the 97.5% VaR and reported accordingly. • 2: No. (Please describe the nature of the challenge in a supplementary qualitative document.)

Q-23	For the purpose of this QIS, is your bank able to calculate the 97.5% ES for all trading desks? • 1: Yes, bank is able to calculate the 97.5% ES and reported accordingly. • 2: No. (Please describe the nature of the challenge in a supplementary qualitative document.)
Q-24	For the purpose of this QIS, is your bank able to calculate p-values for all trading desks? • 1: Yes, bank is able to calculate p-values consistent with the FRTB standard and reported accordingly. • 2: Yes, bank is able to calculate p-values, but calculation reported deviates from the FRTB standard. (Please describe the nature of the deviation in a supplementary qualitative document.) • 3: No, bank is unable to calculate p-values. (Please describe the nature of the challenge in a supplementary qualitative document.)
Q-25	For the purpose of this QIS, is your bank able to calculate **Actual P&L** (APL) for all trading desks? • 1: Yes, bank is able to calculate APL consistent with the FRTB standard and reported accordingly. • 2: Yes, bank is able to calculate APL, but calculation reported deviates from the FRTB standard. (Please describe the nature of the deviation in a supplementary qualitative document.) • 3: No, bank is unable to calculate APL. (Please describe the nature of the challenge in a supplementary qualitative document.)
Q-26	For the purpose of this QIS, is your bank able to calculate **Hypothetical P&L** (HPL) for all trading desks? • 1: Yes, bank is able to calculate HPL consistent with the FRTB standard and reported accordingly. • 2: Yes, bank is able to calculate HPL, but calculation reported deviates from the FRTB standard. (Please describe the nature of the deviation in a supplementary qualitative document.) • 3: No, bank is unable to calculate HPL. (Please describe the nature of the challenge in a supplementary qualitative document.)
Standardised approach (SA)	
Q-27	For the purpose of this QIS, is your bank able to calculate all components of the SbM capital charge (Delta, Vega and Curvature) using full revaluation methodology? • 1: Yes, bank is able to calculate capital charge of all components precisely. • 2: No, bank is unable to calculate one or more sub-components for all or some positions **or** the calculation relies on approximations (eg Taylor expansion). **Note**: If your answer is "2: No", please list risk classes affected and corresponding methodology in a supplementary qualitative document.
Q-28	For the purposes of reporting in "TB risk class" Panel G (Foreign exchange risk), did you report a non-zero value for "Other 2" bucket (ie any of the following cells: F301; I297:L297; N302:P301, U301:X301, AA301:AD301, AG301:AJ301)? • 1: Yes, bank reported non-zero value for "Other 2" bucket for delta, vega or curvature components of Panel G. • 2: No, bank did not report a value (or reported a zero value) for "Other 2" bucket for delta, vega or curvature components of Panel G. **Note**: If your answer is "1: Yes", please list currency pairs in scope for "Other 2" bucket in the "Remarks" column.
ES and NMRF – ADDITIONAL INFORMATION	
Q-29	For the purpose of this QIS with regard to TB IMA Backtesting-P&L, is your bank able to calculate **Risk-theoretical P&L** (RTPL) for any trading desks? • 1: Yes, bank is able to calculate RTPL consistent with the FRTB standard and reported accordingly. • 2: Yes, bank is able to calculate RTPL, but calculation reported deviates from the FRTB standard. (Please describe the nature of the deviation in a supplementary qualitative document.) • 3: No, bank is unable to calculate RTPL. (Please describe the nature of the challenge in a supplementary qualitative document.)
Q-30	For the purpose of this QIS, is your bank able to calculate the capital charge for non-modellable risk factors (NMRF) in the IMA? • 1: Yes, bank is able to calculate the SES for every NMRF consistent with the FRTB standard and reported accordingly. • 2: No, bank is unable to calculate the SES for every NMRF per the FRTB standard. • 3: Not applicable, because all risk factors are modellable (ie reported zero for all risk factors).

Q-31	If you selected "2: No" in Q-30, were you able to provide complete figures? • 1: Yes, bank provided complete figures. • 2: No, bank did not report a complete figure and left some or all cells blank. (Please describe the nature of the challenge in a supplementary qualitative document.)
Q-32	If you selected "2: No" in Q-30, how did your bank report the figure for SES in this QIS? • 1: Used proxy methodology broadly based on the ES/Var/RNiV methodology. • 2: Other methodologies. (Please describe in a supplementary qualitative document.)
Q-33	If you selected "2: No" in Q-30, to your best estimation, what would be the expected change in the total NMRF capital charge was calculated consistent with FRTB standards? • 1: Generally unchanged. • 2: Increase. (Please explain and, where possible, provide a quantitative estimate.) • 3: Decrease. (Please explain and, where possible, provide a quantitative estimate.)
Q-34	How confident is your bank regarding the accuracy of the SES figures reported in this QIS? • 1: Very confident. (Figures provided are indicative of the actual expected capital charge.) • 2: Reasonably confident (subject to some uncertainty). • 3: Minimally confident (subject to significant uncertainty). **Note**: If your answer is either "2: Reasonably confident" or "3: Minimally confident", please describe the source of uncertainty in a supplementary document.
Q-35	Please select the modellability criteria applied to available price data in order to determine the scope of NMRF in this QIS. • 1: Per FRTB text, at least 24 observations per year with a maximum of one month gap between them. • 2: Assessing only whether at least 24 observations per year are available. • 3: Other. (Please describe in a supplementary qualitative document.)
Q-36	Please select the price data used for modellability checks. • 1: Own price data **only**. • 2: Own price data and assumed benefit of data pooling. • 3: Other. (Please describe in a supplementary qualitative document.)
Q-37	Is the granularity of risk factors used to determine the scope of NMRF the same as the granularity of pricing model used to calculate the ES? • 1: Yes, consistent granularity is used for all risk factors. • 2: No. (Please describe in a supplementary qualitative document.)
Q-38	Please select the methodology used to identify the Liquidity Horizon for each NMRF. • 1: Consistent with the SES methodology (ie larger of maximum observation interval and the LH assigned to modellable risk factors in para 181 of FRTB text). • 2: Applied supervisory LH specified in para 181 of FRTB text. • 3: Other. (Please describe in a supplementary qualitative document.)
Q-39	Please select the stress scenario applied to NMRF. • 1: Consistent with the SES methodology (ie selected stress scenario specific to each NMRF). • 2: One stress scenario selected for all NMRF. • 3: Other. (Please describe in a supplementary qualitative document.)
Q-40	Please select the correlation assumption applied in aggregating the NMRF capital charge. • 1: Consistent with the SES methodology (ie zero correlation applied credit NMRF **only**). • 2: Other. (Please describe in a supplementary qualitative document.)
Q-41	For the purpose of this QIS, for modellable desks in panel B3, is the combined set of products in scope for NMRF and ES identical to the set of products in scope for SbM? • 1: Yes. • 2: No (eg there are risks that are captured by the NMRF framework but are absent from the SbM calculation of a corresponding risk class). **Note**: If your answer is "2: No", please describe the source of misalignment in a supplementary document.

Q-42	For information purposes only, please provide an estimate of impact on the Equity risk class NMRF capital charge that would result assuming diversification effects for the following risk factors: spot, futures, forwards, dividends, repo rates and volatilities. • 1: No impact. • 2: Impact on Equity NMRF of less than 25%. • 3: Impact on Equity NMRF between 25% and 50%. • 4: Impact on Equity NMRF greater than 50%. **Note**: If possible, please provide a more precise approximate reduction in the remarks column. In all cases, please describe assumptions used in the assessment in a supplementary document.
Q-43	General Interest Rate Risk NMRF. For information purposes only, please provide the share of GIRR risk factors in the current portfolio that are, per FRTB, considered as NMRF relative to **all** GIRR risk factors under the IMA (ie number of NMRF / number of all RF) on a best effort basis. • 1: No NMRF. • 2: share of NMRF of less than 10%. • 3: share of NMRF between 10% and 20%. • 4: share of NMRF between 20% and 30%. • 5: share of NMRF between 30% and 40%. • 6: share of NMRF between 40% and 50%. • 7: share of NMRF of equal to or more than 50%. **Note**: please report the share and the numbers of NMRF and all RF in the "Remarks" column (eg 1000/5000=20%).
Q-44	Credit Spread Risk NMRF. For information purposes only, please provide the share of CSR risk factors in the current portfolio that are, per FRTB, considered as NMRF relative to **all** CSR risk factors (ie number of NMRF / number of all RF) on a best effort basis. • 1: No NMRF. • 2: share of NMRF of less than 10%. • 3: share of NMRF between 10% and 20%. • 4: share of NMRF between 20% and 30%. • 5: share of NMRF between 30% and 40%. • 6: share of NMRF between 40% and 50%. • 7: share of NMRF of equal to or more than 50%. **Note**: please report the share and the numbers of NMRF and all RF in the "Remarks" column (eg 1000/5000=20%).
Q-45	Equity Risk NMRF. For information purposes only, please provide the share of Equity risk factors in the current portfolio that are, per FRTB, considered as NMRF relative to **all** Equity risk factors (ie number of NMRF / number of all RF) on a best effort basis. • 1: No NMRF. • 2: share of NMRF of less than 10%. • 3: share of NMRF between 10% and 20%. • 4: share of NMRF between 20% and 30%. • 5: share of NMRF between 30% and 40%. • 6: share of NMRF between 40% and 50%. • 7: share of NMRF of equal to or more than 50%. **Note**: please report the share and the numbers of NMRF and all RF in the "Remarks" column (eg 1000/5000=20%).

Q-46	Commodity Risk NMRF. For information purposes only, please provide the share of Commodity risk factors in the current portfolio that are, per FRTB, considered as NMRF relative to **all** Commodity risk factors (ie number of NMRF / number of all RF) on a best effort basis. • 1: No NMRF. • 2: share of NMRF of less than 10%. • 3: share of NMRF between 10% and 20%. • 4: share of NMRF between 20% and 30%. • 5: share of NMRF between 30% and 40%. • 6: share of NMRF between 40% and 50%. • 7: share of NMRF of equal to or more than 50%. **Note**: please report the share and the numbers of NMRF and all RF in the "Remarks" column (eg 1000/5000=20%).
Q-47	Foreign Exchange Risk NMRF. For information purposes only, please provide the share of FX risk factors in the current portfolio that are, per FRTB, considered as NMRF relative to **all** FX risk factors (ie number of NMRF / number of all RF) on a best effort basis. • 1: No NMRF. • 2: share of NMRF of less than 10%. • 3: share of NMRF between 10% and 20%. • 4: share of NMRF between 20% and 30%. • 5: share of NMRF between 30% and 40%. • 6: share of NMRF between 40% and 50%. • 7: share of NMRF of equal to or more than 50%. **Note**: please report the share and the numbers of NMRF and all RF in the "Remarks" column (eg 1000/5000=20%).