Basel Committee
on Banking Supervision

Frequently asked questions on Basel III monitoring

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BANK FOR INTERNATIONAL SETTLEMENTS

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Contents

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]

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.**[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

[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, 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.

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.

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").[3]

   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;

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

4.1 General

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 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 cells D77 and J77 of the "Leverage Ratio" worksheet, should we only provide the amount resulting from the netting agreements or should we also include cash collateral?

Answer: Cells D77 and J77 should only include (i) the amount resulting from the netting, with the effects of collateral to be included in cells D79 and J79; 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. deleted.

15. deleted.

16. deleted.

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

Answer: As set out in Section 5.2.9 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 135 to 137 of the "Leverage ratio" worksheet 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 135 to 137 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. deleted.

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

21. Panel G: Does paragraph 187 of the SA-CCR document[4] 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. deleted.

23. deleted.

24. deleted.

25. deleted.

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

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.

29. Panel A: Should the amount of the exposure measure that must be grossed up per paragraph 24 of the Basel III leverage ratio framework associated with collateral *provided* in derivative trades that is netted according to IAS 32.42 be reported in row 21 of the "Leverage Ratio" worksheet?

Answer: Yes, the amount that was netted due to collateral provided is to be reported in row 21 so as to gross-up the exposure measure. Moreover, as the accounting value for derivatives is to be reflected in D8 and J8, the grossing-up in cells E8 and K8 refers to collateral received from derivative trades. The netted amount for other assets according to the relevant accounting standard is to be reported in cells D19 and J19.

30. deleted.

4.2 Leverage ratio additional

1. Are "bilateral derivatives" in panel H3 intended to include both OTC derivatives and CCP-cleared OTC derivatives?

Answer: No. The client leg of CCP-cleared derivatives is captured in panel H1 (ETD) and panel H2 (OTC). Panel H3 (bilateral derivatives) captures trades with non-CCP counterparties.

2. The instructions for panel H indicate "in the case of bilateral trades, if the bank has fewer than five counterparties from which IM is received, remaining rows should be completed for top counterparties as determined by their associated Basel III leverage ratio exposure measure as calculated per the current Basel III leverage ratio framework." Does this mean that for the remaining rows banks should fill out only column D and columns I through T?

Answer: Yes.

3. For reporting panel H, is there a specific approach that should be used to determine annualised net income associated with a particular counterparty?

Answer: No. Annualised net income for derivatives exposures associated with a particular counterparty should be reported on a best efforts basis.

4. For reporting panel H, if a bank was not operating its client clearing business at full scale during the period for which data is to be reported, should the bank report net income associated with

counterparties during the period based on the actual net income for the period or based on estimates for net income assuming the business had been operating at full scale?

Answer: For purposes of this QIS, the bank should report its estimates for net income associated with each counterparty as if the business had been running at full scale.

5. For reporting panel H, should top counterparties be identified by initial margin received from each counterparty before or after any applicable haircuts?

Answer: Top counterparties should be identified by initial margin received before any haircuts are applied.

6. For reporting panel H, in the case of counterparties which pledge their deposits of securities, should initial margin received be determined as the sum of all pledged cash and non-cash? If yes, in this case should the identification of top counterparties be determined by initial margin received despite these counterparties not necessarily being those from which the most initial margin is required?

Answer: In the case cited, initial margin received should be the sum of all pledged cash and non-cash. Top counterparties should continue to be identified and sorted by initial margin received.

7. Given that CVA is calculated on a portfolio level, how should banks attribute amounts of CVA to individual counterparties in column M of panel H?

Answer: For the purpose of reporting the CVA attributable to a particular counterparty in column M, banks should calculate CVA at the portfolio level (for all relevant counterparties) and allocate CVA to each counterparty on a best-efforts basis. Likewise, risk-weighted capital requirements for counterparty credit risk under the framework currently used by the bank in column L and using SA-CCR in column N should be allocated to each counterparty on a best-efforts basis.

8. What should be reported on panel B row 20 ("Off-balance sheet items with a 100% CCF in the LR CD including Option A for unsettled financial asset purchases") and row 22 ("Off-balance sheet items with a 100% CCF in the LR CD including Option B for unsettled financial asset purchases"), particularly if a bank does not have any unsettled financial asset purchases to report?

Answer: Banks should report in rows 20 and 22 the notional amount of all off-balance sheet items with a 100% CCF per the consultative document on the Revisions to the Basel III leverage ratio. In row 20, banks should additionally reflect any amounts associated with unsettled financial asset purchases per the treatment specified in Option A in the consultative document. In row 22, banks should additionally reflect any amounts associated with unsettled financial asset purchases per the treatment specified in Option B in the consultative document. If a bank does not have any unsettled financial asset purchases to report in either rows 20 or 22, the values reported in rows 20 and 22 should be equal and reflect the notional amounts of any other types of exposures that receive a 100% CCF per the consultative document. The latter also applies to banks using *trade date accounting*.

9. If a bank reports zero values for unsettled financial asset purchases on panel F, what should be entered on row 21 ("Reported unsettled financial asset purchases as OBS items with a 100% CCF?")?

Answer: A bank should select "No" on row 21 if it does not report any unsettled financial asset purchases on panel F.

10. For reporting panel B, what definition of "commitments" should be used for determining off-balance sheet items?

Answer: For the purposes of reporting off-balance sheet items associated with commitments in panel B, banks should use the definition of "commitments" as specified in paragraph 8 of the Annex of the consultative document *Revisions to the Basel III leverage ratio framework*.

11. For reporting values for modified SA-CCR on panels C and E, should the bank include the 1.4 alpha factor in the values reported?

Answer: No. Values of modified SA-CCR on panels C and E should be reported without having applied the 1.4 alpha factor. However, on panel H reporting of SA-CCR-based measures in columns J and K and SA-CCR-based capital requirements in column L should reflect the application of the 1.4 alpha factor.

12. For the calculation of the Basel III leverage ratio per the consultative document in panel I, what methodology has been applied?

Answer: For purposes of panel I, the calculation of the exposure measure reflects proposals as included in the consultative document *Revisions to the Basel III leverage ratio framework* (April 2016), the impact of which is based on a combination of data reported on the "Leverage Ratio" and "Leverage Ratio additional" worksheets. In particular, the value for on-balance sheet exposures in panel I takes into account the deduction of eligible provisions (paragraph 10) and PVAs (paragraph 12) as well as the clarification on cash pooling transactions (paragraph 17) as specified in the consultative document. The exposure value for pending settlement transactions is based on the two options (ie options A and B as specified in paragraph 16) as proposed in the consultative document, including associated amounts treated as OBS items (Annex paragraph 9). The measurement of derivative exposures (including those associated with transactions cleared on behalf of a client) is based on a modified version of the SA-CCR (paragraphs 19 through 29) and clarifications for the treatment of written credit derivatives (paragraphs 30 through 35). Regarding OBS items, the upper bounds of CCFs as proposed in the consultative document (Annex paragraphs 8 through 13) are applied to notional amounts as reported in panel B. Consistent with the consultative document, as there have been no proposed revisions to the measurement of securities financing transactions (SFTs), the calculation in panel I utilises the measurement of SFTs as reported on the "Leverage Ratio" worksheet according to the January 2014 Basel III leverage ratio framework.

13. deleted.

14. deleted.

15. deleted.

16. deleted.

17. The instructions for columns J and K of panel H refer to Annex paragraphs 1 through 3 of the Basel III leverage ratio framework consultative document. Should banks apply an FX haircut to cash variation margin received and provided (as referenced in Annex paragraph 2) for the purposes of reporting columns J and K?

Answer: No. Banks should not apply an FX haircut for purposes of reporting columns J and K in panel H.

18. In column M of panels H1, H2 and H3, are banks to report "CVA under the current framework" based on the standardised approach or the advanced approach?

Answer: In column M, banks are to report CVA based on the approach the bank uses for calculating its risk-based capital requirements. Further, in panel H4 column F, banks should indicate the approach by which they reported CVA in column M of panels H1, H2 and H3.

19. Are banks that provide indirect clearing services (ie banks that are not clearing members themselves, but provide clearing services to clients via a clearing member bank) expected to populate panels H and J of the 'Leverage ratio additional' worksheet?

Answer: Yes. Banks that provide indirect clearing services should populate panels H and J on a best efforts basis.

20. What deductions related to prudent valuation should be reported on row 8 of the 'Leverage Ratio additional' worksheet?

Answer: Consistent with paragraph 12 of the consultative document, banks should report in this line item prudent valuation adjustments that are "deducted from Tier 1 capital according to the Basel III framework and other regulatory adjustments other than those related to liabilities." The list of examples in paragraph 12, which includes prudent valuation adjustments for exposures to less liquid positions that are deduced from Tier 1 capital per the market risk standard, is not exhaustive. For the purpose of the QIS, on a best efforts basis, banks should ensure that amounts reported in this line item (as well as amounts in row 208 of the 'Leverage Ratio' worksheet)_ pertain to adjustments related only to assets.

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.

5.4 LCR additional

1. Could you please clarify whether the scope of this exercise is restricted to only on-balance sheet securities such that this would only include debt securities in HQLA inventory and exclude other items in the LCR HQLA calculation (such as securities reversed in/repoed out/securities borrowed/securities lent/securities pledged or received as collateral etc)?

Answer: Yes, the exercise is restricted to level 1 and level 2 debt securities that appear on the balance sheet, that are unencumbered and that meet any other operational requirements for inclusion in the stock of HQLA. Thus, borrowed debt securities that do not appear on the balance sheet, even if eligible HQLA, are excluded from this exercise. The same is true for on-balance sheet level 1 and level 2 debt securities that are encumbered or do not meet any other of the operational requirements.

2. Would the calculation of accrual value (amortised cost) in respect of FVTOCI securities entail taking the difference between the fair value of a security and what has been recognised in OCI since it was purchased?

Answer: Broadly speaking, yes. More accurately, the amortised cost of a FVTOCI security will be calculated using the "effective interest method", whereby the instrument accretes to its par value at maturity. This is used to determine the amount of OCI attributable to fair value movements.

3. Could the mapping below be used for accounting classification in accordance with future IFRS9 categories?

- Held for trading → FVTPL
- AFS → FVTOCI
- HTM → AC

Answer: There is no specific mapping for this section and it should be completed on a "best efforts" basis. It is believed that relevant banks would already know of the impacts of IFRS 9 on the classification of their assets.

5.5 NSFR additional

1. (deleted)

2. In panel A, how should netting sets with a one-way collateral agreement be reported?

Answer: The table below provides guidance on how to report netting sets in panel A of the NSFR additional template:

Collateral arrangement	Margin agreement		Threshold	Report netting set in panel A as…
Credit support annex (or similar arrangement)	Two way margin agreement		Zero threshold CSA	Margined
			CSA includes a threshold of unsecured exposure or a minimum transfer amount to be met before any collateral call is made	Margined (or partially margined)
	One way margin agreement in which	the counterparty has to post collateral, but not the bank	Zero threshold CSA	Unmargined
			Threshold of unsecured exposure or minimum transfer amount to be met	Unmargined
		the bank has to post collateral, but not the counterparty	Zero threshold CSA	Margined
			Threshold of unsecured exposure or minimum transfer amount to be met	Margined (or partially margined)
	No margin agreement under normal circumstances. Contractual triggers (rating etc) may lead to collateral call in some events		N/A	Unmargined
No credit support annex	N/A		N/A	Unmargined

3. In which version of the Basel III monitoring template should users report data for the "NSFR additional" worksheet?

Answer: Template version 3.6.2 should be used to report all relevant data items requested in the "NSFR additional" worksheet. The "NSFR additional" worksheet has been revised to include two additional rows (26 and 27) in panel C to collect historical data on derivative exposures for 2017Q1 and 2017Q2. Panel D, which had previously collected variation margin exchanged has been removed for the end-June 2017 collection exercise.

6. Operational risk

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7. 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.

8. Trading book

8.1 TB

1. Paragraph 161 of the revised market risk standard states that "the SA capital charge for an individual cash securitisation position can be capped at the fair value of the transaction." However, instructions for the "TB" worksheet do not address this issue. Panels B2 and B5 have cells for SBM, residual risk add-on and DRC, but the instructions do not specify how to report any capped capital charge for these positions. In which cell(s) should this capped capital charge be reported?

   Answer: Capital for securitisation positions which trigger the max loss provision should be prorated under the relevant components of the SA capital charge, limiting the total capital contribution of these positions to their fair value. Specifically, individual components of the SA capital charge should equal the component's share of actual capital multiplied by the fair value of the position. Any deviations from the proposed treatment should be explicitly noted in an explanatory document accompanying the submission.

2. What is the scope of exposures reported in panel B3, sections (a) and (b), respectively?

   Answer: The scope of exposures in section (a) of panel B3 is the same as section (b) of panel B2. In section (a) of panel B3, banks should report FRTB IMA capital charges for those trading desks for which the bank currently has internal model approval from its national supervisor. In turn, in section (b) of panel B3, banks should report FRTB SA capital charges for those same trading desks (ie those trading desks for which the bank has internal model approval status from its national supervisor). If the bank is unable to provide this information at the regulatory trading desk-level, current product-level model approval status may be used as a proxy. In such a case, for both sections (a) and (b), banks should report FRTB capital, IMA and SA, respectively, for the sub-portfolio of all products which currently have model approval from the bank's national supervisor. If the bank chooses this approach (ie categorisation based on product-level model approval) this choice should be noted in an explanatory document accompanying the submission.

3. In panel B2(b), please clarify the RRAO risk weights that should be applied per the revised market risk standard for each risk.

   Answer: Values for RRAO must be reported in Section (a) of panel B2 without application of the associated RRAO risk weight. RRAO risk weights will be applied in the automatic calculations conducted in rows 42 and 63.

4. In Section (a) of panel B2, should a bank report values based on all desks (ie modelled and non-modelled) or only on the non-modelled desks?

   Answer: Section (a) of panel B2 should be populated based only on the desks for which the capital charges may not be calculated using internal models (ie desks for which the bank currently does not have internal model permission from its national supervisor). As noted above, if the bank is unable to provide this information at the regulatory trading desk level, current product-level model approval status may be used as a proxy. In such a case, in Section (a) of panel B2 banks should report capital under the revised market risk standard for the sub-portfolio of all products which currently do not have model approval from the bank's national supervisor. If the bank chooses this approach (ie categorisation based on product-level model approval), the bank should indicate it has done so in an explanatory document accompanying the submission.

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 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*.[5]

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. CVA hedges currently are captured in the market risk capital framework. Given that CVA hedges are expected to move to the CVA framework of the revised market risk standard, should CVA hedges be excluded from the trading book worksheets (both for current and new capital requirements)?

Answer: Eligible credit valuation adjustment (CVA) hedges must be removed from the bank's market risk charge calculations in the trading book for purposes of the trading book worksheets.

4. Please clarify the format by which dates are to be reported in row 6.

Answer: Dates must be reported as yyyy-mm-dd in Excel date format. Furthermore, dates reported on row 6 must be reported in ascending order from left to right (eg corresponding with the increasing values in row 5 of T in column G, T+1 in column H, T+2 in column I, etc).

Banks are strongly encouraged to ensure the format for dates reported in row 6 meets the above-listed standards so as to ensure that the data reported can be appropriately analysed.

5. Please clarify the format by which banks are to report the "unique desk ID" in column C.

Answer: For a given trading desk, a bank must use an identical, numeric "unique desk ID" that is consistent over time in order to ensure that a usable time series for each desk can be constructed across all submissions of the Basel III monitoring template. If, for any reason, capital charges are not provided for a given trading desk at a reporting date, this desk's unique ID should **not** be used for a different trading desk in this or any subsequent exercise (ie each trading desk should be associated with a "unique ID" regardless of the exercise).

Any newly introduced desk (ie a desk not reported in previous data collection exercises) should receive a new ID (ie IDs from closed trading desks should not be reused to identify newly formed trading desks) and any desk which has been closed should no longer be reported (implicitly resulting in a zero position desk from a technical perspective).

Note, in order to conduct meaningful analysis on the desk level data reported in all panels of the "IMA Backtesting-P&L" worksheet of the Basel III monitoring template, there must be intertemporal consistency in trading desk IDs across reporting periods. Specifically, the unique

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

desk IDs (as well as regulatory trading desk names) submitted for each trading desk should be consistent across submissions for the same trading desk.

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.

2. In panel A ("IMA Expected Shortfall") FX scenario 1 covers the case where triangulation between eligible currency pairs is to be applied (column L, rows 17 to 35). However, there is no corresponding scenario for the standardised approach. Please confirm that no triangulation should be applied for the standardised approach in panel G. Note also, there is no corresponding input (ie FX scenario 1) on the global trading book (ie column F rows 17 to 35 accounting for triangulation).

   Answer: Panel G should be populated consistent with the revised market risk standard. That is, only the selected currencies listed in footnote 31 of the revised minimum capital requirements for market risk are eligible for a reduced risk weight. Note, the bank's approach with respect to the use of the reduced risk weight (ie division of risk weight of selected currencies by square root of 2) should be indicated in cell F260 (ie respond "Yes" if the risk weight of selected currencies in footnote 24 were divided by square root of 2 and "No" otherwise). Note further, cells F17:F35 are to be populated per the revised minimum capital requirements for market risk (ie no triangulation is allowed for these calculations).

3. In panel G ("Foreign exchange risk") banks are to report vega risks for individual currency buckets. For buckets OTHER1 and OTHER2, should Kb and WS be reported by aggregating across all currency pairs subject to a given category?

   Answer: For buckets OTHER1 and OTHER2 the bank is to simply sum requested parameters across eligible currency pairs. For example, for EUR/NOK and EUR/SEK which would fall under 'OTHER1', vega Kb is to be reported as the simple sum of Kb of each currency pair.

4. In panel G ("Foreign exchange risk"), does the question "Was preferential risk weight applied to eligible currency pairs?"(cell F260) refer to footnote 31 of the revised minimum capital requirements for market risk, or does the question reference triangulation to be taken into account based on the same list of pairs?

   Answer: The question in cell F260 refers to paragraph 120(a) of the revised standards. That is, please indicate whether, in calculating the bucket-level capital charge for eligible currencies as listed in footnote 31, the risk weight in paragraph 120 was divided by the square root of 2.

5. Please provide the correct logic used to set the "Yes" / "No" triangulation flags in Column G, rows 265 to G302 of panel G.

   Answer: In column G, please identify whether each listed currency, when paired with the bank's reporting currency, can be represented via triangulation of two liquid currency pairs that are included in the list provided in footnote 31 of the revised minimum capital requirements for market risk. Please use column G to indicate, for each listed currency, whether the listed currency/reporting currency combination can be represented via combination of liquid currency pairs. For example, for an SGD reporting bank, column G corresponding to AUD (cell G268) should be "Yes" because SGD/AUD can be represented by triangulation between USD/SGD and USD/AUD but column G corresponding to TWD (G300) should be "No". Moreover, if the listed currency/reporting currency combination is already a liquid pair as listed in footnote 31 of the revised minimum capital requirements for market risk, the response in column G should be a "No". For convenience, the table in Annex 3 illustrates listed currency/reporting currency combinations in Panel G that are considered liquid post-triangulation.

6. Do curvature risk charges need to be reported in the "Other sector" sections of panel C (credit spread risk: non-securitisations), panel D (credit spread risk: securitisations (non-CTP)) and panel E (Equity risk) of the "TB risk class" worksheet?

Answer: Yes. For the purpose of the QIS exercise, the treatment for curvature risk under the credit spread risk (CSR) non-securitisations, CSR securitisations and equity risk classes is to be based on the simple sum of the absolute values of curvature capital requirements, similar to the calculations for delta and vega risks.

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. Please clarify the application of low and high correlation scenarios in the context of calculating curvature risk.

Answer: Per para 54, a high, medium or low correlation scenario scalar (ie 1.25, 1 or 0.75) must to be applied to a relevant correlation parameter (ie ρ or γ). Per para 133, the correlation parameter applicable to curvature risk is the squared delta correlation parameter, such that, $\rho_{curvature} = \rho_{delta}^2$. Then consistent with para 54, in calculating the capital charge under the high or the low correlation scenarios, the appropriate calculation is $scalar \times \rho_{delta}^2$.

8.4 TB SA current

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8.5 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.

Annex 1

Expectations for reporting of market risk-related data elements

The items below provide additional guidance on the manner in which a number of market risk-related data elements are to be reported on the "TB" and "TB IMA Backtesting – P&L" worksheets. This guidance is intended only for the purposes of the Basel III Monitoring exercise.

1. "TB" worksheet, panel A (minimum capital requirements)

- The SA capital charge reported in cell G7 of panel A must be calculated based on the global portfolio (ie all positions subject to market risk), exclusive of eligible CVA hedges.

2. "TB" worksheet, panel B (overall minimum capital requirements (8% of RWA))

- Generally, the scope of **this Basel III monitoring exercise covers all trading desks regardless of materiality and current model approval status**. However, when calculating capital charge in panels B1 through B3, eligible CVA hedges must be excluded from the regulatory capital calculation. The CVA market risk capital charge is addressed separately, in panel B4.
- In calculating the capital charge in panel B1, the global portfolio must be segmented into two distinct sub-portfolios: (i) products that are currently approved for modelling by the firm's national supervisor, and (ii) products currently not modelled. Relevant capital charges must be calculated for each sub-portfolio separately and as prescribed by each section in panel B1.
- In calculating the capital charge in panels B2 and B3, the global portfolio must be segmented into two distinct, non-overlapping sub-portfolios: (i) those eligible for the IMA treatment; and (ii) those treated under the SMM/SA. If the bank is unable to provide this information at the regulatory trading desk-level, current product-level model approval status may be used as a proxy. In such a case, product-level model approval status must be used to partition the global portfolio into two distinct, non-overlapping sub-portfolios: (i) sub-portfolio of all products which currently have model approval from the bank's national supervisor; and (ii) sub-portfolio of all products which currently do not have model approval. Relevant capital charges must be calculated for each sub-portfolio separately.
- **Only positive numbers should be reported in panel B.**

3. "TB" worksheet, panel B1 (current market risk capital charge – assuming current model approval status)

- Capital charge components reported in panel B1 should be calculated based on the **current model approval status of traded products in the firm's global portfolio**. That is, **only the products for which the bank currently has internal model permission may be modelled for capital purposes**. Capital charge for products which currently do not have internal model approval must be calculated according to the standardised measurement method.
- The IMA actual capital charge in section (a) of panel B1 (cell G29 of the "TB" worksheet) refers to the total modellable charge, inclusive of modellable general, stressed and modellable specific risks. When calculating the IMA actual capital charge, the current effective multiplier should be used.

- A value for "Risks not in VaR" (RNiV) capital charge in section (b) of panel B1 (cell G36 of the "TB" worksheet) should only be provided if the reporting institution's national supervisor directly requires that any risks not captured in the bank's VaR model be included as part of the bank's regulatory capital calculation. Otherwise, if the bank merely monitors materiality of its RNiV but does not include RNiV capital in its regulatory capital calculation, this cell should be left blank.
- Any market risk capital amount reported in section (c) of panel B1 (cell G36 of the "TB" worksheet) must be described in an explanatory document accompanying the submission.
- **The sum of capital charges calculated in sections (a), (b) and (c) of panel B1 (cell G38 of the "TB" worksheet) should equal to the total current market risk capital charge**.

4. "TB" worksheet, panel B2 (FRTB market risk capital charge – assuming current model approval status)

- The standardised approach capital charge reported in section (a) of panel B2 must be calculated based on the sub-portfolio of desks which currently do not have internal model approval. **If the bank is unable to provide this information at the regulatory trading desk-level, current product-level model approval status may be used as a proxy**. In such a case, the standardised approach capital charge reported must be calculated based on the sub-portfolio of products which currently do not have internal model approval, inclusive of securitisation exposure, both non-CTP and CTP.
- The standardised approach capital charge should be the calculated based on the methodology (ie correlation scenario assumption) which yields the greatest capital charge at the portfolio-level (ie across the global trading book). **The bank must consistently apply this single scenario to relevant calculations within the entire section.**
- The IMA capital charge reported in section (b) of panel B2 must be calculated based only on the sub-portfolio of desks currently eligible for IMA treatment (ie desks which currently have model approval status from the bank's national supervisor). **If the bank is unable to provide this information at the regulatory trading desk-level, current product-level model approval status may be used as a proxy.** In such a case, the IMA capital charge reported must be calculated based on the sub-portfolio of products for which the bank currently has internal model permission.
- The risk factor class level IMCC capital charge in section (b) of panel B2 (cells G73 to G77 of the "TB" worksheet) must exclude the multiplication factor m_c. That is, for purposes of this QIS, the multiplier should not be applied to the risk factor level ES values reported.
- **The sum of capital charges calculated in sections (a), (b) and (c) of panel B2 (cell G85 of the "TB" worksheet) should equal to the total revised market risk capital charge (FRTB capital charge)**.

5. "TB" worksheet, panel B3 (FRTB – modelled desks analysis)

- The scope of sections (a) and (b) in panel B3 covers the **sub-portfolio of desks for which the bank currently has internal model permission** (ie the scope must be identical to the scope of positions used in calculating IMA capital charge in section (b) of panel B2). As in section (b) of panel B2, **if the bank is unable to provide this information at the regulatory trading desk-level, current product-level model approval status may be used as a proxy**. In such a case, the IMA capital charge reported must be calculated based on the sub-portfolio of products for which the bank currently has internal model permission.

- The SA capital charge reported in section (b) of panel B3 must be calculated based on the same set of positions used to calculate capital reported in section (a) of this panel. For these modellable positions, the reporting institution must calculate all components of the SA capital charge including: SBM, DRC and RRAO at the granularity outlined in this section.

6. "TB" worksheet, panel B5 (securitisations)

- The capital charge reported in sections (a) through (c) of panel B5 must be calculated based only on the sub-portfolio of securitisation products and must exclude securitisation hedges which themselves are not securitisations.
- For the purposes of panel B5, the reporting institution is asked to segment the sub-portfolio of securitisation exposures into three distinct segments: (a) securitisation positions which are **not correlation trading positions and are ineligible to attain the STC designation**; (b) securitisation positions which are **non-CTP and are eligible to attain the STC designation**; and (c) portfolio of correlation trading products.
- In the case of CTP, the total current market risk capital charge (cell G121 of the "TB" worksheet) must be inclusive of the comprehensive risk measure surcharge.
- Capital charge for securitisation (non-CTP) positions which trigger the max loss provision (cf paragraph 161) should be prorated under the relevant components of the SA capital charge, limiting the total capital contribution of these positions to their fair value. Specifically, for each exposure that triggers max loss provision, individual components of the SA capital charge should equal the component's share of actual capital multiplied by the fair value of the position. Any deviations from the proposed treatment should be explicitly noted in a qualitative document accompanying the submission.

7. "TB" worksheet, panel C (trading desks)

- In order to conduct meaningful analysis on the desk level data reported in all panels of the "IMA Backtesting-P&L" worksheet of the Basel III monitoring template, there must be intertemporal consistency in trading desk IDs across reporting periods. Specifically, the unique desk IDs (as well as regulatory trading desk names) submitted for each trading desk should be consistent across Basel III monitoring submissions for the same trading desk.
- For a given trading desk, a bank must use identical, numeric "Unique desk ID" that is consistent over time in order to ensure that a usable time series for each desk can be constructed across all submissions of the Basel III monitoring template. If, for any reason, capital charges are not provided for a given trading desk in a QIS exercise, this desk's unique ID should not be used for a different trading desk in this or any subsequent exercise (ie each trading desk should be associated with a unique ID regardless of the exercise).
- Any newly introduced desk (ie desk not reported in previous QIS data collection exercises) should receive a new ID (ie IDs from closed trading desks should not be reused to identify newly formed trading desks) and any desk which has been closed should no longer be reported (implicitly resulting in a zero position desk from a technical perspective).
- Note, for a given desk, the response provided in column F must be based on **current model approval status** of that desk. We acknowledge that some institutions may not be in a position to provide information about desk-level model approval at this time. As such, we ask that you provide the general reasoning underlying a response selection in an explanatory document accompanying the submission (eg desk modellability determined according to market/notional value-based threshold for products with current model approval on a given desk).

8. "TB IMA Backtesting – P&L" worksheet, all panels

- This worksheet collects data on risk measures and P&L related to the revised internal models-based approach in the trading book. This worksheet is relevant only for any bank with internal model approval under the current framework.
- Data should be reported for desks in the global trading book where the bank has indicated current model approval status in column F of "TB" worksheet, panel C "Trading desks".
- Row 6 of the worksheet collects the reporting date for each data point recorded in the worksheet. Banks are requested to report the longest time series available within the six-month period before the reporting date (ie 31 December 2016). **Dates must be reported in the format yyyy-mm-dd**.

9. "TB IMA Backtesting – P&L" worksheet, panel A (risk measures)

- The calculation of P values reported in panel A4 must be based on a comparison of hypothetical P&L and 99% VaR. **Please do not report data that do not conform to this requirement** (eg comparing hypothetical P&L with 97.5% ES).

10. "TB IMA Backtesting – P&L" worksheet, panel B (P&L)

- For the purposes of calculating actual P&L in panel B1, all valuation adjustments relevant to the pricing of a security should be included in actual P&L.
- For the purposes of calculating hypothetical P&L in panel B2, valuation adjustments which cannot be calculated on a daily basis should be excluded. Valuation adjustments which are calculated daily should be included in hypothetical P&L.
- For the purposes of calculating risk-theoretical P&L in panel B3, banks should only report risk-theoretical P&L data if the data are based on the definition of risk-theoretical P&L as provided in the FRTB. Approximations derived from hypothetical P&L or some other input are not acceptable and should not be reported. **Please do not report data that do not conform to this requirement.**

Annex 2

Worksheet "Leverage ratio additional" – qualitative questions (panel J)

This panel will not be used for the end-June 2017 QIS exercise.

Annex 3

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 – 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	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-14	If you selected "2: No" in Q-13, how did your bank report the figure for SES in this QIS? • 1: Used a proxy (please describe the methodology in a supplementary qualitative document and discuss how proxy values were allocated among risk classes). • 2: Did not report a complete figure (ie left some or all cells blank) (please describe the nature of the challenge in a supplementary qualitative document).
Q-15	If you selected "1: Used a proxy" in Q-14, please estimate the actual size of NMRF relative to the proxy: • 1: Actual amount of NMRF is **greater than** amount reported (please provide a detailed assessment for each risk class). • 2: Amount of NMRF reported is roughly correct. • 3: Actual amount of NMRF is **less than** amount reported (please provide a detailed assessment for each risk class).
Q-16	How confident is your bank regarding the accuracy of the figures reported in this QIS for the SES? • 1: Very confident (figures provided indicate a reasonable degree of the actual 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-17	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.
Residual risk add-on (RRAO)	
Q-18	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-19	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-20	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-21	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-22	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-23	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-24	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-25	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-26	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-27	For the purpose of this QIS, in calculating the curvature risk capital charge per FRTB paragraph 53(b), which currency pairs does your bank shock in cases where currency pairs underlying a given instrument do not contain your bank's reporting currency (eg USD/EUR FX option for a SGD reporting bank)? • 1: The underlying currency pair itself is shocked (ie USD/EUR in the example presented). • 2: The reporting currency versus **each of the underlying currencies** are shocked (ie **both** USD/SGD **and** EUR/SGD in the example presented). • 3: The reporting currency versus **only one of the underlying currencies** is shocked (ie **either** USD/SGD **or** EUR/SGD, but not both, in the example presented). • 4: Other. **Note**: If your answer is "4: Other", please describe the methodology used in a supplementary qualitative document.

Listed currency/reporting currency combinations in Panel G that are considered liquid post-triangulation

	USD	EUR	JPY	GBP	AUD	CAD	CHF	MXN	CNY	NZD	RUB	HKD	SGD	TRY	KRW	SEK	ZAR	INR	NOK	BRL	Others
EUR	No	No	No	No	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
JPY	No	No	No	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
GBP	No	No	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
AUD	No	Yes	No	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
CAD	No	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
CHF	No	No	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
MXN	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
CNY	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
NZD	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
RUB	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
HKD	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
SGD	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
TRY	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No
KRW	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	No
SEK	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No
ZAR	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	No
INR	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	No
NOK	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	No
BRL	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No
SAR	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
USD	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
CLP	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
AED	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
ARS	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
BGN	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
CZK	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
DKK	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
HUF	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
IDR	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
ILS	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
KWD	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
MYR	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
PHP	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
PLN	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
THB	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
TWD	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
OTHER 1	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
OTHER 2	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No