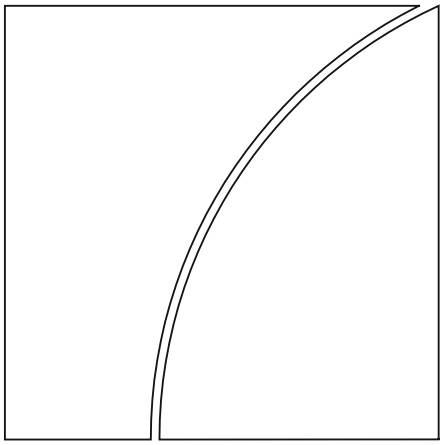
Basel Committee
on Banking Supervision



# Instructions for Joint QIS

Incentives assessment part

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BANK FOR INTERNATIONAL SETTLEMENTS

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# Contents

# Instructions for Joint QIS

## 1. Introduction

The Basel Committee on Banking Supervision (Committee)[1] is analysing the potential impact of its proposed non-internal model method[2] (hereafter, referred to as the "NIMM") for measuring counterparty credit risk and its proposed revisions to the capital requirements for bank exposures to CCPs[3] (hereafter, the "CCP framework"). In this regard, the Committee will also give due consideration to an assessment being performed by the OTC Derivatives Assessment Team[4] (DAT) regarding the collective impact of a group of regulatory reforms affecting OTC derivatives that have been developed – or that are under development – by global standard setting bodies. The assessment will evaluate whether these regulatory reforms create appropriate incentives for market participants to centrally clear OTC derivatives (hereafter, the "incentives assessment"). The instructions herein relate to the incentives assessment QIS; banks invited to participate in this exercise will have already received a separate workbook and instructions for the NIMM QIS exercise.

The Committee will treat data collected in this exercise as strictly confidential. Except as noted in the following sentences, there will be no attribution to individual institutions. To facilitate the DAT's incentives assessment, it is necessary to aggregate data collected from certain participating banks and CCPs. To properly merge the two data sets, the QIS analysis team will need to match the identities of certain participating banks in the bank data collection with the clearing member banks in the CCP data collection. Banks and CCPs will be asked by their supervisors or overseers whether they are willing to allow a small group of bank regulators to aggregate the data in this manner (ie on a non-anonymised basis). The aggregated data would be used for internal purposes of the QIS analysis team and would not be disclosed to external parties. Banks and CCPs that agree to participate in this fashion are referred to as "incentives assessment banks" or "IA banks" and "incentive assessment CCPs" or "IA CCPs", respectively.

**Descriptions of data items in these instructions are included to facilitate the completion of the Joint QIS questionnaire and are not to be construed as an official interpretation of other documents published by the related standard setting bodies, including the Committee.**

**This version of the instructions refers to version 1.0 of the reporting templates.** The remainder of this document is organised as follows. Section 2 discusses general issues such as the scope of the exercise, the process and the overall structure of the quantitative questionnaire. Section 3

[1] The Basel Committee on Banking Supervision is a committee of banking supervisory authorities which was established by the central bank Governors of the Group of Ten countries in 1975. It consists of senior representatives of bank supervisory authorities and central banks from Argentina, Australia, Belgium, Brazil, Canada, China, France, Germany, Hong Kong SAR, India, Indonesia, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, Russia, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. It usually meets at the Bank for International Settlements (BIS) in Basel, Switzerland, where its permanent Secretariat is located.

[2] For further details please see Basel Committee on Banking Supervision, *The non-internal model method for capitalising counterparty credit risk exposures*, consultative document, June 2013.

[3] For further details please see Basel Committee on Banking Supervision, *Capital treatment of bank exposures to central counterparties*, consultative document, June 2013.

[4] The DAT was established by the OTC Derivatives Coordination Group. The Coordination Group is comprised of FSB Chairman Mark Carney and the chairs of four standard setting bodies: Stefan Ingves, Sveriges Riksbank Governor (BCBS); William Dudley, Federal Reserve Bank of New York President (CGFS); Paul Tucker, Bank of England Deputy Governor (CPSS); and Greg Medcraft, Australian Securities and Investments Commission (IOSCO). The DAT is comprised of staff from Bank of Canada, Bank of England, Federal Reserve Bank of New York, Japan Financial Services Agency and Sveriges Riksbank.

discusses the worksheet for collection of participant information. Section 4 discusses the worksheets for the incentives assessment.

# 2. General

## 2.1 Scope of the incentives assessment exercise

Participation in the Joint QIS exercise is voluntary. The Committee expects large internationally active banks with material activity in OTC derivatives to participate in the incentives assessment study, as these banks will likely be affected by some or all of the revisions to the various reforms being considered. In addition, these banks are well placed to provide data relating to the impact of reforms on a significant proportion of the market, including impacts on both sell-side and buy-side firms. These data collections should be completed on a best-efforts basis. Where applicable and unless noted otherwise, data should be reported for consolidated[5] groups.

## 2.2 Filling in the data

The Joint QIS reporting templates provided on the Committee's website are for information purposes only. While the structure of the workbooks used for the Joint QIS exercise is the same in all participating countries, **it is important that banks use only the workbook obtained from their respective national supervisory agency to submit their returns**. National supervisory agencies may also provide additional instructions, if deemed necessary.

**Data should only be entered in the yellow shaded cells.** There are also some pink cells which will be completed by the relevant national supervisory agency. **It is important to note that any modification to the worksheets might render the workbook unusable both for the validation of the final results and the subsequent aggregation process.**

Cell colours used in the Joint QIS reporting template — Table 1

| Colour | Content |
|---|---|
| Yellow | Input cell. |
| Pink | To be completed by the supervisor. |
| White, orange | Calculation result. Must not be changed. |

**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**, ie participating institutions should aim to provide data for all **yellow** cells. The automated calculations in the workbook indicate whether or not a certain item can be calculated using the data provided.

Data can be reported in the most convenient currency. The currency which has been used should be recorded in the "General Info" worksheet. Supervisors will provide the relevant exchange rate for converting the reporting currency to euros. If 1,000 or 1,000,000 currency units are used for reporting, this should also be indicated in this worksheet. When choosing the reporting unit, it should be considered that the worksheet shows all amounts as integers. **The same currency and unit should be used for all amounts throughout the workbook, irrespective of the currency of the underlying exposures.**

[5] This refers to the consolidation for regulatory rather than accounting purposes.

Percentages should be reported as decimals and will be converted to percentages automatically. For example, 1% should be entered as 0.01.[6]

## 2.3 Process

The Basel Committee or its Secretariat will not collect any data directly from participating institutions. Therefore, participating institutions in participating countries should contact their supervisory agency to discuss how the completed workbooks should be submitted. National supervisors will forward the relevant data to the Secretariat of the Basel Committee where individual institution data will be treated strictly confidential and will not be attributed to individual institutions, with the exception of IA banks and IA CCPs as discussed more fully in Section 1 above.

Participating institutions should direct all questions related to this study, the related rules, standards and consultative documents to their national supervisory agencies. Where necessary, the supervisory agencies will coordinate their responses through the Secretariat of the Basel Committee to provide responses that are consistent across countries. A document with responses to frequently asked questions will be maintained on the Basel Committee's website.[7]

Participating institutions should specify any instance where they had to deviate from the instructions provided in an additional document.

## 2.4 Reporting date

If possible, and unless the national supervisor has provided different guidance, all data should be reported as of **31 March 2013**. If data availability does not allow respondents to use this reporting date, suitable alternatives should be discussed with the relevant national supervisor.

## 2.5 Structure of the Joint QIS incentives assessment workbook

The Joint QIS incentives assessment workbook includes seven worksheets that **should be completed by all participating banks**:

- The worksheet "General Info" is intended to capture **general information** regarding the participating institutions.
- The remaining worksheets capture information regarding the effects of the various OTC derivatives reforms on the capital charges and collateral requirements faced by market participants. For the purposes of this QIS, **firms should assume that all counterparties are subject to the clearing mandate and to the proposed WGMR margining requirements**, and should report margin requirements and future portfolios accordingly. The worksheets are explained in detail in Section 4. In summary, the worksheets are as follows:
- The worksheet "CurrentP current framework" captures information on banks' **current portfolios** (bilateral and centrally cleared) under their current margining arrangements and Basel III capital rules. For example, banks should report CVA charges even if they are not currently subject to these Basel III requirements. If a bank is unable to report information that is compliant with the full Basel III requirements (regardless of national implementation) it should note this where relevant in the "Remarks " column in the worksheets. Information provided by

[6] Depending on the regional options of the operating system used, it might be necessary to use a different decimal symbol. It might also be necessary to switch off the option "Enable automatic percent entry" in the Tools/Options/Edit dialog of Excel if percentages cannot be entered correctly.

[7] www.bis.org/bcbs/qis/.

IA banks in this worksheet only will be matched with data collected from IA CCPs in order to estimate the impact of the CCP framework.

- For the remaining worksheets, banks should report collateral and capital requirements consistent with the proposed reforms, and with Basel III capital requirements (to the extent possible as outlined above). These include:
  - the use of the NIMM for portfolios on which banks do not use the internal model method (IMM) to calculate counterparty credit risk exposures; and
  - bilateral margin requirements consistent with the BCBS-IOSCO Working Group on Margining Requirements (WGMR) proposals on non-centrally cleared portfolios.[8]
- The worksheets "CurrentP centrally cleared" and "FutureP centrally cleared" are designed to capture information on banks' **current and future centrally cleared portfolios**, and the collateral and capital requirements associated with them. In order to collect this information, the worksheets are based on a hypothetical simplified scenario where there is only one CCP per asset class. In the "CurrentP centrally cleared" worksheet, banks are asked to aggregate their current centrally cleared trades into single portfolios for each asset class. For portfolios in the "FutureP centrally cleared" worksheet, banks are asked to move all derivatives that are currently in their non-centrally cleared portfolios, but are eligible to be centrally cleared[9], into the hypothetical CCP portfolios, and to report the consequent capital and collateral requirements.
- The worksheets "CurrentP non-centrally cleared" and "FutureP non-centrally cleared" are designed to capture information on banks' **current and future non-centrally cleared portfolios**, and the collateral and capital requirements associated with them. For the portfolios in the "FutureP non-centrally cleared" worksheet, banks are asked to report capital and collateral requirements on their non-centrally cleared portfolios with the clearing eligible trades removed.
- The worksheet "CurrentP eligible" captures information on **clearing eligible trades in banks' non-centrally cleared portfolios.** Banks are asked to collect all clearing eligible but currently non-centrally cleared trades into single portfolios for each asset class, and to report capital and collateral requirements on these portfolios.

The incentives assessment workbook also includes three worksheets that contain lists of OTC derivative products that are likely to be centrally cleared in the near future. The lists were compiled previously by the WGMR and are described more fully in the annex. The related worksheets are titled "Single-name CDS Top 500", "Single-name CDS ICE", and "Commodity swap CME". The lists are included for reference purposes only; participating banks need not complete any data fields in these worksheets.

## 3. General information

The "General Info" worksheet gathers basic information that is needed to process and interpret the survey results, and should be completed by all participating banks. Table 2 below includes instructions for filling in this worksheet.

[8] For further details please see the Basel Committee on Banking Supervision and the International Organization of Securities Commissions consultative document, *Margin requirements for non-centrally cleared derivatives - Second consultative document*, February 2013.

[9] The list of trades that are considered clearing eligible is consistent with the list used in the WGMR QIS, and is reproduced in the annex.

General Info template

Table 2

| Row | Column | Heading | Description |
|---|---|---|---|
| 5 | C | Country code | Leave blank |
| 6 | C | Firm number | Leave blank |
| 7 | C | Firm primary industry | This should be left blank unless a participating bank is reporting on behalf of one or more clients, in which case the bank should identify the primary industry to which the client(s) belong. |
| 8 | C | Firm category (Each firm should identify itself as belonging to one of the following categories: Dealer bank; Non-dealer bank; Non-bank financial - pension funds and insurers; Non-bank financial - hedge funds, asset managers, and others; or Non-financial firms. | This should be left blank unless a participating bank is reporting on behalf of one or more clients, in which case the bank should identify the category to which the client(s) belong. |
| 9 | C | The firm will be subject to the WGMR requirement on margin for non-centrally cleared derivatives | Leave blank |
| 10 | C | The firm is or will be subject to the Basel III capital requirement (1), Solvency II capital requirement (2), or no capital requirement (0) | Leave blank |
| 11 | C | Conversion rate (in euros/reporting currency) | Leave blank |
| 12 | C | Submission date (yyyy-mm-dd) | Leave blank |
| 13 | C | Reporting date (yyyy-mm-dd) | Date as of which all data are reported in worksheets. |
| 14 | C | Reporting currency (ISO code) | **Three-character** ISO code of the currency in which all data are reported (eg USD, EUR). |
| 15 | C | Unit (1, 1000, 1000000) | Units (single currency units, thousands, millions) in which results are reported. |

# 4. Incentives assessment worksheets

The incentives assessment is the part of the Joint QIS which is intended to assess the relative impact of initial margin and capital requirements for non-centrally cleared trading portfolios of a participating bank versus its cleared portfolios at CCPs. It is also intended to assess the impact on different types of market participants. The assessment compares the total initial margin and capital requirements for current portfolios of bilateral trades and of positions at CCPs (current portfolios), with those for future portfolios, which are constructed by moving derivative products in the current bilateral portfolios that are eligible for clearing to CCPs, and combining them with the current portfolios at CCPs (resulting in bilateral portfolios containing a smaller number of trades than current portfolios, and centrally cleared portfolios containing a larger number of trades than current cleared portfolios). In order to assess the

relative impact of the proposed regulatory standards on margin and capital, the current practice of the reporting firm is also assessed as a baseline.

This part of the Joint QIS should be completed by participating banks that have both non-centrally cleared (that may or may not be subject to bilateral margining agreements) and centrally cleared OTC derivatives portfolios. A participating bank may have multiple legal entities with both centrally and non-centrally cleared portfolios (either currently or in the future after the central clearing mandate is implemented). Such a participating bank should calculate the initial margin and capital for *each* of such legal entities *separately* according to the requirements, then report the aggregated totals by summing over the legal entities.

Where possible, banks should calculate margin requirements on their non-centrally cleared portfolios using internal or third-party quantitative models (QM) consistent with the WGMR margin proposals. If banks are not able to do so, they should use the NIMM (as adapted below) to calculate margin requirements on their bilateral portfolios for the purposes of this QIS.

To calculate initial margin requirements based on NIMM, firms should calculate the *aggregate add-ons* for each asset class, using the supervisory factors for margined netting sets (listed in the NIMM consultative document) and a margin period of risk of 10 days. The aggregate add-on should be multiplied by the alpha factor of 1.4. Replacement cost should not factor into the calculation of initial margin.

Initial margin should be calculated on the portfolio potential future exposure (PFE) assuming current exposure is exactly collateralised (this also means that the "multiplier" taking into account excess collateralisation and negative mark-to-market should be set equal to 1 for the purposes of calculating initial margin based on NIMM). Firms should refer to the NIMM consultative document for an explanation of how to calculate add-ons on derivatives positions for each asset class. **This method for calculating initial margin requirements using NIMM is intended only to facilitate calculation of initial margin requirements by banks without access to internal or third-party quantitative for the purposes of this QIS, and is not to be construed as an official interpretation of other documents published by the related standard setting bodies, including the Committee.**

To calculate capital requirements, banks should generally use IMM models where available. For banks that do not use an IMM model (or for portfolios on which IMM banks use non-internal models), banks will be asked to use NIMM to calculate capital requirements for some worksheets. To calculate capital requirements using NIMM, banks should refer to the NIMM consultative document and the instructions for the NIMM section of the Joint QIS. In particular, for interest rate derivatives portfolios, banks should use Approach 1, "Partial offsetting across maturity buckets" to calculate PFE add-ons.

For current and future centrally cleared portfolios at the hypothetical single asset class CCPs, banks should, where possible, report estimated initial margin requirements using the internal margin model they use to estimate bilateral margin requirements (retaining the 10 day margin period of risk). If banks do not have access to an internal model for calculating initial margin requirements, they should use the NIMM to estimate initial margin requirements on centrally cleared portfolios. The rationale for retaining a 10-day margin period of risk for cleared trades is that it facilitates direct comparison of the relative effects of multilateral netting for cleared portfolios and bilateral netting for non-centrally cleared portfolios.

The aim of the incentives assessment is to understand the impact of OTC derivatives reforms specifically; it is thus important that information on centrally cleared portfolios focuses on OTC derivatives in particular. To this end, where information is requested in the template on centrally cleared portfolios in a particular asset class, firms should report information only on centrally cleared OTC derivatives in that asset class, and not for cash products and exchange traded derivatives in the same asset class, if the OTC derivatives are cleared in a separate service to other products. For example, if a CCP clears both OTC and exchange-traded derivatives on interest rates and offers these products in different services (with separate default waterfalls), the firm should report information only on its

participation in the service clearing OTC derivatives where information on interest rate portfolios is requested. Where a CCP clears both exchange-traded and OTC derivatives in the same service (and cash products if applicable), firms should report collateral and capital requirements on their combined portfolio of exchange-traded and OTC derivatives (and cash products if applicable).

For the purposes of analysing the impact of the CCP framework proposals, information on IA banks' current repo portfolios at CCPs are requested. In addition, information on IA banks' exposures to CCP services that clear multi-asset class derivatives (both exchange-traded and OTC) are requested (without splitting by asset class). This information is requested only from IA banks.

## 4.1 Introduction to the structure of the template

### States

As discussed above, the incentives assessment is designed to capture information regarding the impact of various OTC derivatives reforms on participants' incentives to centrally clear, in particular by looking at the impact of those reforms on collateral and capital requirements. The aim of the exercise is to separate out as far as possible the impact of margin requirements, the clearing mandate, and the proposals for capital requirements on bank exposures to CCPs. To meet this objective, the exercise is constructed to consider three "states":

**State 0**: This state represents participants' current portfolios, both bilateral and with CCPs, under current margining arrangements and "current" capital rules. Participants are asked to report on their portfolios at a selection of global CCPs that account for the majority of clearing activity in OTC derivatives. For the purposes of comparability, and to facilitate analysis of the impact of new reforms, "current" capital rules for the purposes of this QIS should be interpreted to mean the Basel III rules on capital requirements. This includes for example the interim rules on capital requirements against exposures to CCPs, and CVA charges on bilateral exposures. Data on IA banks' exposures to CCPs collected in this worksheet will be used in conjunction with data collected from IA CCPs in the CCP framework QIS to estimate the impact of the proposed CCP capitalisation framework on capital requirements for currently centrally cleared portfolios.

**State 1**: This state considers the impact on collateral and capital requirements of the proposed margining requirements for non-centrally cleared derivatives, the impact of the new proposals for the capitalisation of bank exposures to CCPs in comparison to capital requirements on bilateral portfolios, and the use of the NIMM for calculating exposures (for non-IMM banks and for portfolios on which IMM banks currently use the Current Exposure Method or Standardised Method to calculate capital requirements). For non-centrally cleared activity, the proposed margin requirements are applied to current portfolios (the same bilateral portfolios as in state 0), assuming that all counterparties are subject to the margin requirements.

To examine the effects of the proposed capital requirements on exposures to centrally cleared portfolios relative to the capital requirements on bilateral portfolios, banks are instructed to place all of their centrally cleared trades in each derivatives asset class into a single portfolio per asset class at a hypothetical "asset-class CCP" (AC-CCP). For example, if a bank has portfolios in interest rate swaps at three different CCPs, it should aggregate those three portfolios into a single portfolio of centrally-cleared interest rate swaps, and report these as a portfolio at the interest rate AC-CCP. The DAT recognises that this approach will lead to lower margin and capital requirements on centrally cleared portfolios than are likely in reality (due to the existence of multiple CCPs clearing OTC derivatives in each asset class). This will factor into the analysis of the QIS results when comparing the collateral and capital requirements of centrally cleared portfolios as compare to bilateral portfolios.

**State 2**: This state is intended to represent the "steady state" outcome of the clearing mandate, and so captures information on banks' "future portfolios", both bilateral and at AC-CCPs. These future portfolios are constructed by identifying all current non-centrally cleared trades that are clearing eligible,

and moving those trades from bilateral portfolios to portfolios at the respective AC-CCP. The resulting centrally cleared and non-centrally cleared portfolios should then be reported using the margin and capital requirements specified in State 1. The construction of future centrally–cleared portfolios motivates the use of hypothetical AC-CCPs in this template. Without this approach, it would be difficult to ensure that participants allocate clearing eligible trades to current CCPs in a consistent way (since two banks that are a counterparty to a set of bilateral trades may move their leg of the trade into portfolios at different CCPs, for example).

For centrally cleared portfolios, the exercise is also designed to capture high-level information regarding the potential impact of segregation of client positions in centrally cleared portfolios. To this end, banks are asked to report information regarding gross and net client positions in the related worksheets.

## Worksheets

As discussed in section 2.5, the data for the incentives assessment is to be collected on seven worksheets. These are constructed as follows:

"**General Info**": This worksheet is intended to capture general information regarding the participating institutions.

"**CurrentP current framework**": This worksheet captures information on portfolios in "State 0" and includes three panels:

A. Current portfolios of non-centrally cleared trades.

B. Current portfolios of centrally cleared house trades.

C. Current portfolios of centrally cleared client trades.

"**CurrentP centrally cleared**": This worksheet captures information on current portfolios in "State 1" and includes two panels:

A. Current portfolios of house trades at AC-CCPs.

B. Current portfolios of client trades at AC-CCPs.

"**FutureP centrally cleared**": This worksheet captures information on future portfolios in "State 2" and includes two panels:

A. Future portfolios of house trades at AC-CCPs.

B. Future portfolios of client trades at AC-CCPs. This panel is only relevant to QIS participants who primarily access CCPs as clients; banks who act as clearing members are not expected to include information on their clients' future portfolios.

"**CurrentP non-centrally cleared**": This worksheet captures information on banks' current portfolios of non-centrally cleared derivatives in "State 1" that are split into five categories:

1. Dealer banks;
2. Non-dealer banks;
3. Non-bank financials – pension funds and insurers;
4. Non-bank financials – hedge funds, asset managers, and others; and
5. Non-financial firms.

This split is intended to separate the impact of reforms on buy-side and sell-side firms. The further split of buy-side firms into categories 2 to 5 is intended to capture information on how the reforms may affect firms with different trading strategies, and subject to different aspects of the reforms.

"**FutureP non-centrally cleared**": This worksheet captures information on banks' future portfolios of non-centrally cleared derivatives in "State 2" (after clearing eligible trades have been moved out of these portfolios) that are split into the five categories identified above.

"**CurrentP eligible**": This worksheet captures information on the five asset class sub-portfolios consisting of all "clearing eligible products" that are currently in banks' non-centrally cleared portfolios that are split into the five categories identified above. The list of clearing eligible products is defined by the list in the annex.

## 4.2 Data gathering on portfolios for buy-side firms

Data on the portfolios of buy-side firms can be gathered for this exercise in two ways:

1. Buy-side firms that are banks can report their portfolios directly. For non-centrally cleared portfolios, reporting is straightforward and no different to the reporting requirements for dealer banks. For centrally cleared portfolios however, banks that clear as clients rather than direct members should complete the template as follows: these banks should mark in row 8 of panel B (house account) of worksheet "CurrentP current framework" that they are not a clearing member of a CCP. They should then leave the rest of panel B blank, and enter relevant data in panel C. Similarly, these banks should only complete panel B (client account) in the worksheets "CurrentP centrally cleared" and "FutureP centrally cleared". Panel A (house account) in these two worksheets should be left blank.

2. Dealer banks which are clearing members at CCPs are encouraged to report data on their top bilateral buy-side clients in the following way, on a best efforts basis:

   Select at least one top client[10] by gross notional or CCR default charge RWA[11] with a broadly balanced portfolio and one top client with a broadly directional portfolio from each of the following buy-side categories:

   - Non-dealer banks;
   - Pension funds;
   - Insurers;
   - Hedge funds, asset managers, and other non-bank financials; and
   - Non-financial firms.

   For these clients, dealers are encouraged to report information on both current and future non-centrally cleared portfolios (the latter being the portfolios remaining after clearing eligible trades have been removed from the current bilateral portfolio) from the client's perspective. Additionally, dealers are asked to report information on the single asset class sub-portfolios of clearing eligible trades that consist of the OTC derivatives that have been removed from the non-centrally cleared bilateral netting sets. To summarise, dealers are encouraged to report information in the worksheets "CurrentP current framework", "CurrentP non-centrally cleared", "FutureP non-centrally" cleared and "CurrentP eligible" for each client, from the client's perspective.

   Dealers are not asked to report on the cleared portfolios of clients to whom they provide client clearing services.

[10] To avoid reverse engineering that may reveal the client identity, the reporting dealer bank may choose to aggregate the data from more than one client in each category and portfolio strategy (balanced or directional) to report the aggregated results.

[11] Please indicate in the remarks which method (gross notional or RWA) is used to determine the "top" clients.

The dealer firm should report data in a new workbook for each client, identifying the primary industry and category to which the client belongs in the "General Info" worksheet (in rows 7 and 8 respectively). Other information requested in the "General Info" worksheet should be filled in as set out in Table 2.

## 4.3 Worksheet "CurrentP current framework"

For panel A of the worksheet "CurrentP current framework", the data captured are used to report the exposures, initial margin and the capital charges of the firm's current non-centrally cleared OTC derivatives portfolio. Each row consists of data from a defined sub-category of counterparties.[12] The data for each counterparty is reported in a separate panel, as follows:

- Panel A.1: Dealer banks;
- Panel A.2: Non-dealer banks;
- Panel A.3: Non-bank financials - pension funds and insurers;
- Panel A.4: Non-bank financials – hedge funds, asset managers, and others; and
- Panel A.5: Non-financial firms.
- Instructions for filling in panel A.1 are given in Table 3.

Panel A.1: All non-centrally cleared derivatives with dealer banks — Table 3

| Row | Column | Heading | Description |
|---|---|---|---|
| 1 | C | Total number of counterparties | The number of dealer bank counterparties in the firm's non-centrally cleared OTC derivatives portfolio. |
| 2 | C | Number of counterparties with non-zero initial margin either posted or collected | The number of dealer bank counterparties in the firm's non-centrally cleared OTC derivatives portfolio to or from which the reporting firm either posts or receives initial margin. |
| 3 | C | Total gross notional outstanding amount | The outstanding gross notional on all non-centrally cleared derivatives with dealer banks. This should not include the effects of collateral or of any netting. |
| 4 | C | Total initial margin posted | Total initial margin currently posted to the firm's dealer bank counterparties. |
| 5 | C | Total initial margin collected | Total initial margin currently collected from the firm's dealer bank counterparties. |
| 6 | C | Total EAD computed under IMM (ie currently using IMM) | The total EAD on the firm's portfolios of non-centrally cleared derivatives with dealer bank counterparties for which the firm uses IMM to calculate EAD. |
| 7 | C | Total EAD computed under non-IMM (ie currently using CEM/SM) | If the firm has any portfolios with dealer banks for which it calculates EAD using a non-internal model, it should report the aggregate EAD on those portfolios here. The firm should note in the "Remarks" column (column D) which non-internal model approach it currently uses. |
| 8 | C | Total RWA for CCR default charge | Total RWA for CCR default charge as per Basel III standards for the current firm-wide non-centrally cleared portfolio with dealer bank counterparties. This should include RWA calculated using both IMM and non-IMM models (if applicable). |

[12] Note that all sovereigns and central banks are excluded from the universe of counterparties for the purpose of this exercise.

| | | | |
|---|---|---|---|
| 9 | C | Total RWA for CVA charge | Total CVA RWA according to Basel III standards for the current firm-wide non-centrally cleared portfolio with dealer banks. This should include both CVA RWA calculated under the advanced and the standardised approaches. |

Panels A.2 to A.5 contain exactly the same information as requested in panel A.1, for the other counterparty categories as defined above, and should be completed accordingly.

The data captured in panels B and C of the worksheet "CurrentP current framework" are used to determine the margin and capital requirements on the reporting firm's portfolios of existing centrally cleared trades, on both the firm's "house" and "client" accounts. The "house account" consists of the firm's proprietary trades at a CCP as a direct clearing member; and the "client account" consists of trades cleared at the CCP on behalf of clients. As discussed in section 3, this information should be focused on the clearing of OTC derivatives as much as possible; exposures to any CCP services that do not involve OTC derivatives should not be included in the data reporting, except in the case of IA banks reporting exposures to services that clear repos and multi-asset class (or solely exchange-traded) derivatives.

In panels B.1 and C.1, firms are asked to report information summed over all the CCPs of which the firm is a clearing participant (either as a direct clearing member of the CCP or as a client of a clearing member). This would include, but not limited to, data on the eight specified CCPs reported in panels B.2 to B.9 and C.2 to C.9.

Panel B.1: House account (summing up over all CCPs) Table 4

| Row | Column | Heading | Description |
|---|---|---|---|
| 1 | C–H | Total gross notional outstanding amount of the **cleared OTC derivatives** at all CCPs | The total gross notional of the firm's OTC derivatives positions at all CCPs worldwide for each asset class. This should be at least as large as the sum over the data in the corresponding cells in Panels B.2 – B.9 (which include a subset of global CCPs). |
| 2 | C–H | Total gross notional outstanding amount of the **cleared exchange traded derivatives** at all CCPs (when applicable) | The total gross notional of the firm's exchange traded derivatives positions at all CCPs worldwide for each asset class, where those exchange traded derivatives are part of the same service as OTC derivatives. This should be at least as large as the sum over the data in the corresponding cells in Panels B.2 – B.9 (which include a subset of global CCPs). |
| 3 | C–H | Total initial margin posted to all CCPs | Total initial margin posted to all CCPs (against portfolios that include OTC derivatives) of which the firm is a member on its own trades (ie excluding initial margin posted against client trades). This should be split out by asset class where possible (eg if the CCP service for a given asset class contains only derivatives in that asset class). Firms should indicate in the remarks if, for some asset classes, they are not able to report initial margin separately. In any case, in column H, firms should report their total initial margin for OTC derivatives across all CCPs across all asset classes. |
| 4 | C–H | Total EAD excluding initial margin posted | The firm's total EAD aggregated across all CCPs, excluding the exposure arising on initial margin posted. This should be split by asset class where possible. |
| 5 | C–H | Total default fund contributions | The sum of the firm's default fund contributions to all CCPs (for those CCP services that include OTC derivatives), split by asset class where possible. |
| 6 | C–H | Total default fund capital charge under interim rules | Total capital charge on the firm's default fund contributions to all CCPs (for those CCP services that include OTC derivatives), under the interim rules for bank exposures to CCPs that were published in July 2012. |

| | | | |
|---|---|---|---|
| 7 | C–H | Total Basel III capital charge under interim rules | Total Basel III capital charge on the firm's exposures to all CCPs, under the interim rules for bank exposures to CCPs (including capital charges on both trade and default fund exposures). |
| 8 | C–H | Is the firm a clearing member at any CCP? | Use Y(Yes) or N(No) to indicate whether the firm is a clearing member at any CCP for the specific asset class. |

Panel C.1: Client (summing up over all CCPs) Table 5

| Row | Column | Heading | Description |
|---|---|---|---|
| 1–3 | C–H | | Repeating the analogous information of panel B.1 for exposures on client accounts at CCPs. |
| 4 | C–H | Total initial margin posted to the bank by its clients | The firm should report all initial margin posted to it by its clearing clients across all CCPs. |
| 5 | C–H | Total EAD excluding initial margin posted | The firm's total EAD to CCPs on its client accounts, aggregated across all CCPs, excluding the exposure arising on initial margin posted. This should be split by asset class where possible. |
| 6 | C–H | Total default fund contributions | The sum of the firm's default fund contributions to all CCPs, split by asset class where possible, if default fund contributions are explicitly required against client exposures. Otherwise, leave blank. |
| 7 | C–H | Total default fund capital charge under interim rules | Total capital charge on the firm's default fund contributions to all CCPs under the interim rules for bank exposures to CCPs published in July 2012, if default fund contributions are explicitly required against client exposures. Otherwise, leave blank. |
| 8 | C–H | Total Basel III capital charge under interim rules | Total Basel III capital charge on the firm's exposures to all CCPs on client trades, under the interim rules for bank exposures to CCPs (including capital charges on both trade and default fund exposures), if applicable. |
| 9 | H | Total EAD of clearing member to its clients | Total EAD of the firm to its central clearing clients across all CCPs. |
| 10 | H | Total Basel III CCR RWA due to clearing member exposure to clients | Total CCR default charge RWA on the firm's clearing member exposure to clients across all CCPs. |
| 11 | H | Total Basel III CVA RWA due to clearing member exposure to clients | Total CVA RWA on the firm's clearing member exposure to clients across all CCPs. |

The data captured in panels B.2 to B.9 and panels C.2 to C.9 are used to determine the respective collateral and capital requirements on firms' existing centrally cleared trades, on both house and client accounts, with each CCP listed below. The specified CCPs are:

- Panels B.2 and C.2: LCH.Clearnet Ltd (excluding LIFFE);
- Panels B.3 and C.3: CME;
- Panels B.4 and C.4: LIFFE;
- Panels B.5 and C.5: Eurex Clearing;
- Panels B.6 and C.6: ICEU Energy;
- Panels B.7 and C.7: BM&F Bovespa;

- Panels B.8 and C.8: ICEU CDS, and
- Panels B.9 and C.9: ICE Clear Credit.

Where a CCP identified above offers clearing of OTC derivatives through more than one service, firms should sum their current exposures, collateral and capital requirements across those services (and report per asset class where possible).

Data collected in this worksheet will also be used to estimate the impact of the CCP framework. To this end, in this worksheet only, **IA banks** are asked to provide information on their exposures and capital charges to CCP services that include repo transactions, even where these services do not contain OTC derivatives. In addition, if the CCP clears exchange-traded and/or OTC derivatives from different asset classes in the same service, IA banks are asked to provide information on exposures to these services without splitting by asset class, in order to calculate capital charges against exposures to these services for the CCP framework.

These services are indicated by the headings "Multi-asset class derivatives service (if separate default waterfall)" and "Repo (if separate waterfall)" respectively. The qualification "(if separate waterfall)" indicates that if the CCP provides a service with a separate default waterfall to which the IA bank is exposed, either for repos or for multi-asset class derivatives, the IA bank should report its total exposures and capital charges for each of these services.

Panel B.2: Centrally cleared derivatives with LCH.Clearnet Ltd (excluding LIFFE): house account

Table 6

| Row | Column | Heading | Description |
|---|---|---|---|
| 1 | C–J | Total gross notional outstanding amount of the **cleared OTC derivatives** at the CCP | For each asset class, firms should provide the total gross notional value (both long and short) for the following classification of their OTC derivatives:<br>Column C - interest rates;<br>Column D - foreign exchange;<br>Column E - credit;<br>Column F - equity;<br>Column G - commodity<br>This should not include collateral or any netting. For LCH.Clearnet Ltd, Column C should correspond to portfolios in SwapClear; and Column D to portfolios with ForexClear, for example.<br>Additionally, LCH.Clearnet Ltd offers a clearing service for equities and exchange-traded derivatives. In column H, firms should report the total gross notional value of OTC derivatives trades in this service. |
| 2 | C–J | Total gross notional outstanding amount of the **cleared exchange traded derivatives** at the CCP (when applicable) | For each asset class, firms should provide the total gross notional value (both long and short) of their exchanged traded derivatives if the firm clears both OTC derivatives and exchange traded derivatives in the same service at LCH.Clearnet Ltd. If the firm has no exchange traded derivatives in a given asset class at the CCP, this should be left blank.<br>Additionally, LCH.Clearnet Ltd offers a clearing service for equities and exchange-traded derivatives. In column H, firms should report the total gross notional value of their exchange-traded derivatives trades in this service. |

| | | | |
|---|---|---|---|
| 3 | C–J | Total initial margin posted to the CCP | The initial margin posted to the CCP on the house account for each asset class. In columns H and I, firms should report the initial margin posted to LCH.Clearnet Ltd on portfolios in the general exchange-traded derivatives service and on RepoClear respectively. |
| 4 | C–G, J | Initial margin requirement calculated using bank's internal quantitative model/NIMM | Banks are encouraged to calculate IM requirements on their CCP portfolios (from the CCP's point of view) using the internal quantitative margin model they will use to calculate bilateral margin requirements (or NIMM if the bank has no quantitative model available).<br>To reduce burden, banks are encouraged to report this information only on their most significant portfolio across CCPs in each asset class. For example if a bank has three centrally cleared interest rate portfolios, they could report initial margin requirements under their internal quantitative model only for the single portfolio representing their largest interest rates exposure to a CCP. This information will facilitate interpretation of how participants' calculated IM requirements for AC-CCPs under WGMR requirements relate to CCPs' own margin requirements, and in turn a comparison of the relative collateral requirements of centrally and non-centrally cleared portfolios.<br>Initial margin requirements do not need to be calculated for columns H or I (multi-asset class exchange-traded derivatives services and repos respectively). |
| 5 | C–J | Total EAD excluding initial margin posted | Columns C–G: total EAD to the CCP on portfolios including OTC derivatives, excluding initial margin posted. This should be split out by asset class where possible.<br>Columns H, I: If applicable, IA banks should also indicate the initial margin posted to LCH.Clearnet's equity and exchange-traded derivatives service (excluding LIFFE), and RepoClear, respectively. |
| 6 | C–J | Default fund contribution | Columns C–G: default fund contributed to the CCP as a clearing member, split by asset class (where possible).<br>Columns H, I: If applicable, IA banks should also indicate default fund contributions to LCH.Clearnet's equity and exchange-traded derivatives service (excluding LIFFE), and RepoClear, respectively. |
| 7 | C–J | Total default fund capital charge under interim rules | Columns C–G: total capital charge on the firm's default fund contributions to LCH.Clearnet Ltd, under the interim rules for bank exposures to CCPs published in July 2012.<br>Columns H, I: If applicable, IA banks should also indicate default fund capital charges on their contributions to LCH.Clearnet's equity and exchange-traded derivatives service (excluding LIFFE), and RepoClear, respectively. |
| 8 | C–J | Total Basel III capital charge under interim rules | Columns C–G: total Basel III capital charge on the firm's exposures to LCH.Clearnet Ltd, under the interim rules for bank exposures to CCPs (including capital charges on both trade and default fund exposures), split by asset class where possible.<br>Columns H, I: If applicable, IA banks should also indicate total Basel III capital charges on their contributions to LCH.Clearnet's equity and exchange-traded derivatives service (excluding LIFFE), and RepoClear, respectively. |
| 9 | C–I | Is the firm a clearing member at the CCP? | Use Y(Yes) or N(No) to indicate whether the firm is a clearing member at the CCP for the specific asset class. |

For other CCPs, the same information is requested. Again, IA banks are asked to report separately for services through which they clear repos, and through which they clear multi-asset class derivatives, where these services have separate default waterfalls.

Panels B.3 to B.9: Centrally cleared derivatives at CCPs: house account

Table 7

| Row | Column | Heading | Description |
|---|---|---|---|
| 1–9 | C–J | | Repeating the analogous information of panel B.2 for the specified CCPs: CME (panel B.3), LIFFE (panel B.4), Eurex Clearing (panel B.5), ICEU Energy (panel B.6), BM&F Bovespa (panel B.7), ICEU CDS (panel B.8), and ICE Clear Credit (panel B.9). |

For panels C.2 to C.9, the data captured are used to determine the respective capital requirements on existing centrally cleared trades on the firm's client accounts with each of the eight specified CCPs.

Panel C.2: Centrally cleared derivatives with LCH.Clearnet Ltd (excluding LIFFE): client account

Table 8

| Row | Column | Heading | Description |
|---|---|---|---|
| 1–3 | C–J | | Repeating the analogous information of panel B.2 for the trades with client only. |
| 4 | C–J | Total initial margin posted to the bank by its clients | The firm should report all initial margin posted to it by its clearing clients at LCH.Clearnet Ltd. This should be split by asset class where possible. |
| 5 | C–J | Total EAD excluding initial margin posted | The firm's total EAD to LCH.Clearnet Ltd on its client accounts, excluding the exposure arising on initial margin posted. This should be split by asset class where possible. |
| 6 | C–J | Default fund contribution | The firm's default fund contributions to LCH.Clearnet Ltd, split by asset class where possible, if default fund contributions are explicitly required against client exposures. Otherwise, leave blank. |
| 7 | C–J | Total default fund capital charge under interim rules | Total capital charge on the firm's default fund contributions to LCH.Clearnet Ltd under the interim rules for bank exposures to CCPs published in July 2012, if default fund contributions are explicitly required against client exposures. Otherwise, leave blank. |
| 8 | C–J | Total Basel III capital charge under interim rules | Total Basel III capital charge on the firm's exposures LCH.Clearnet Ltd on client trades, under the interim rules for bank exposures to CCPs (including capital charges on both trade and default fund exposures), if applicable. |
| 9 | J | Total EAD of clearing member to its clients | Total EAD of the firm to its central clearing clients at LCH.Clearnet Ltd. Firms are only requested to report information on their total EAD to clients; a split by asset class is not required. |
| 10 | J | Total Basel III CCR RWA due to clearing member exposure to clients | Total CCR default charge RWA on the firm's clearing member exposure to clients at LCH.Clearnet Ltd. Firms are only requested to report information on their total CCR RWA to clients; a split by asset class is not required. |
| 11 | J | Total Basel III CVA RWA due to clearing member exposure to clients | Total CVA RWA on the firm's clearing member exposure to clients at LCH.Clearnet Ltd. Firms are only requested to report information on their total CVA RWA to clients; a split by asset class is not required. |

For QIS participants who centrally clear as clients rather than as clearing members, information on their centrally cleared trades should be entered in panel C. These banks should only complete the rows relevant to their exposures to the CCP: ie rows 1, 2, 3 and 5.

Panels C.3 to C.9: Centrally cleared derivatives: client account — Table 9

| Row | Column | Heading | Description |
|---|---|---|---|
| 1–11 | C–J | | Repeating the analogous information of panel C.2 for the specified CCPs: CME (panel C.3), LIFFE (panel C.4), Eurex Clearing (panel C.5), ICEU Energy (panel C.6), BM&F Bovespa (panel C.7), ICEU CDS (panel C.8), and ICE Clear Credit (panel C.9) on the client trades only. |

## 4.4 Worksheet "CurrentP centrally cleared"

In order to determine the cost differences between non-centrally cleared trades and centrally cleared trades driven by portfolio effects (ie cross-product hedging in bilateral portfolios, and multilateral netting in CCP clearing), **five AC-CCPs** are created based on the current portfolios of centrally cleared OTC derivatives, one CCP for each OTC derivatives asset class:

- interest rate,
- foreign exchange,
- credit,
- equity, and
- commodity.

Firms are asked to report initial margin requirements using the same approach used for bilateral WGMR margin requirements (eg 10 day MPOR), so that the impact of multilateral netting on margin and capital requirements is isolated. Initial margin requirements should be calculated based on an internal or third-party quantitative model where possible, and on NIMM otherwise. Firms should specify in the remarks which model has been used for each asset class.

Panel A of the worksheet "CurrentP centrally cleared" collects data to determine the margin and capital requirements of each of the AC-CCPs when merging all the cleared derivatives in the *house accounts* of the current real CCPs as specified in panels B.2 to B.9 of worksheet "CurrentP current framework" for each asset class.

Panel B collects data to determine the margin and capital requirements of each of the AC-CCPs when merging all the cleared derivatives in the *client accounts* of the current real CCPs as specified in panels C.2 to C.9 of worksheet "CurrentP current framework" by each asset class. Banks are asked to report the initial margin posted to the CCP in the cases that client accounts are: a) fully segregated, so that IM is posted on a gross basis (row 3 in Table 10 below); and b) non-segregated, so that client positions are fully netted and IM is posted against the net exposure to clients (row 4 in Table 11 below). In other words, in the first case, each client's positions are in a portfolio totally segregated from all other clients' positions and should be margined as separate portfolios; the reported initial margin should then be the sum of the individual client initial margin requirements. In the latter case, the positions of all clients are treated as belonging to a single portfolio for the purposes of calculating initial margin.

The firm is asked to combine all current centrally cleared trades, separately for house trades and for client trades, from each of the eight CCPs identified on the "CurrentP current framework" worksheet by asset class and determine the margin requirements, exposure and RWAs for each AC-

CCP.[13] For example, for the AC-CCP for interest rate derivatives, the firm should merge all the interest rate derivatives reported in panels B.2 to B.9 of worksheet "CurrentP current framework" into one portfolio at the interest rate AC-CCP for panel A. The derivatives reported in panels C.2 to C.9 of worksheet "CurrentP current framework" should be merged into the AC-CCP account in panel B of the worksheet "CurrentP centrally cleared".

Firms should calculate EADs and RWAs as discussed in Section 4.1. To reiterate, this means that banks should use IMM where applicable; and NIMM where they cannot currently use IMM.

Panel A: Centrally cleared derivatives with hypothetical CCPs: house account — Table 10

| Row | Column | Heading | Description |
|---|---|---|---|
| 1 | C–G | Total gross notional outstanding amount of the **cleared OTC derivatives** at the CCP | For each column (each AC-CCP), firms should provide the total gross notional value (both long and short) of their OTC derivatives. This is to be done by summing up all the gross notional values from the eight CCPs in each asset class.<br>Column C - interest rates;<br>Column D - foreign exchange;<br>Column E - credit;<br>Column F - equity; and<br>Column G - commodity |
| 2 | C–H | Total gross notional outstanding amount of the cleared **exchange traded derivatives** at the same CCP | This is the same information as row 1 except that it is for exchanged traded derivatives. If the firm has no exchange traded derivatives, this should be entered as 0. |
| 3 | C–H | Total initial margin to post - calculated based on QM/NIMM | For each AC-CCP, firms should calculate the initial margin requirement on the portfolio using their own internal model or third-party quantitative model (ie the same model as that used to calculate margin requirements under WGMR for bilateral trades). If the firm cannot calculate margin requirements using an internal/third-party model, it should calculate the initial margin requirement on the portfolio using the NIMM. Firms should indicate in the Remarks column which method they used to calculate the initial margin requirement. |
| 4 | C–H | Total EAD excluding initial margin posted | For each AC-CCP portfolio, firms should calculate their EAD to the AC-CCP excluding initial margin posted. |

For the client accounts in panel B, the first two rows are the same as in panel A for the house account. There are six additional rows, in which the firm should report data on the margin requirements on its client account and on its exposures to its clients.

As discussed above, panel B asks for information that considers the extreme cases of segregation of client assets and exposures. In row 3, each client's positions should be considered as separate portfolios and completely segregated from the positions of other clients. Firms are requested to calculate initial margin for each client individually, and then aggregate them to obtain the overall impact. In row 4, all clients' positions are commingled in one portfolio for each asset class, and firms are asked to calculate initial margin requirements based on a single client portfolio within which all clients' positions are netted with each other. For the purposes of calculating capital requirements and EAD to clients, firms should assume that they have access to each client's gross IM requirement.

[13] The data provided will also be used to estimate capital requirements against these exposures under the CCP framework proposals.

Panel B: Centrally cleared derivatives with hypothetical CCPs: client account — Table 11

| Row | Column | Heading | Description |
|---|---|---|---|
| 1–2 | C–G | | Repeating the analogous information of panel A for client trades only. |
| 3 | C–G | Total initial margin to post assuming clients' accounts are fully segregated - calculated based on QM/NIMM | The total initial margin requirement on the bank's client portfolio assuming clients' accounts are fully segregated – so IM should be calculated on a gross basis across clients.<br>For each AC-CCP, firms should calculate the initial margin requirement using the method described in row 3 of Table 10. |
| 4 | C–G | Total initial margin to post assuming clients' accounts are not segregated - calculated based on QM/NIMM | The total initial margin requirement on the bank's client portfolio assuming clients' accounts are fully non-segregated – so IM should be calculated on the net client portfolio.<br>For each AC-CCP, firms should calculate the initial margin requirement using the method described in row 3 of Table 10. |
| 5 | C–G | Total gross EAD to AC-CCP, excluding IM posted | For each AC-CCP client portfolio, firms should calculate the gross portfolio EAD to the AC-CCP excluding initial margin posted (ie the sum of EADs on each client portfolio, consistent with the approach used to calculate gross IM in row 3). |
| 6 | C–G | Total net EAD to AC-CCP, excluding IM posted | For each AC-CCP client portfolio, firms should calculate the EAD to the AC-CCP on the net client portfolio excluding initial margin posted (ie the EAD on the fully netted positions of all clients used in row 4 to calculate IM requirements). |
| 7 | C–G | Total EAD of clearing member to clients | Total EAD of the firm as clearing member to its clients. Firms are requested to split this out by asset class, since their exposures to clients in each asset class will be on a "separate" CCP. |
| 8 | C–G | Total Basel III CCR default RWA due to clearing member exposure to clients | Total default charge RWA under Basel III rules due to the firm's exposure to clients. Firms are requested to split this out by asset class, since their exposures to clients in each asset class will be on a "separate" CCP. |
| 9 | C–G | Total Basel III CVA RWA due to clearing member exposure to clients | Total CVA RWA due to clearing member exposure to clients. Firms are requested to split this out by asset class, since their exposures to clients in each asset class will be on a "separate" CCP. |

For QIS participants who centrally clear as clients rather than clearing members, information on their centrally cleared trades should be entered in panel B. These banks should only complete the rows relevant to their exposures to the CCP: ie rows 1, 2, 3 and 5. These participants are also encouraged to provide estimates for rows 7-9 using their own models if possible.

## 4.5 Worksheet "FutureP centrally cleared"

These future portfolios are constructed by moving firms' currently non-centrally cleared OTC derivatives that are clearing eligible (as defined in the Clearing List in the annex), from non-centrally cleared portfolios into the five current AC-CCPs. Firms should first identify all of their current non-centrally cleared derivatives that are eligible to be cleared by a CCP. For each asset class, these trades should be aggregated into single portfolios (which will be reported in the worksheet "CurrentP clearing eligible, described in Section 4.8). Firms should then combine all the identified clearing eligible trades in each asset class with the portfolios in each AC-CCP of the same asset class reported in the worksheet "CurrentP centrally cleared". The combined "future" portfolios in each AC-CCP of the worksheet "FutureP centrally cleared" comprise the eligible OTC derivatives from the firm's non-centrally cleared portfolio (in the worksheet "CurrentP eligible") and the already centrally cleared trades in each of the AC-CCP in the

worksheet “CurrentP centrally cleared”. For example, for interest rate derivatives, the firm will merge all the eligible interest rate OTC derivatives from their non-centrally cleared portfolio into the AC-CCP which already has all of the firms currently centrally cleared interest rate trades.

Where reporting firms primarily centrally clear as direct clearing members of CCPs, they should only construct future portfolios for the House account (panel A); panel B should not be completed.

Panel B should be completed only by participants who centrally clear primarily as clients, who should report their future portfolios in this panel.

Panel A in worksheet “FutureP centrally cleared” is identical to panel A in the worksheet “CurrentP centrally cleared”. The only difference is that in worksheet “CurrentP centrally cleared”, banks should report information on current hypothetical portfolios, whereas in “FutureP centrally cleared” information should be reported on future hypothetical portfolios. In other words, panel A of this worksheet should be completed with the same information as panel A in the worksheet “CurrentP centrally cleared”, but for future portfolios.

Firms who centrally clear as clients should report analogous information in panel B of the worksheet “FutureP centrally cleared” to that entered in panel B of the worksheet “CurrentP centrally cleared”, for their future portfolios at the AC-CCPs. Panel B in worksheet “FutureP centrally cleared” is similar to panel B in the worksheet “CurrentP centrally cleared”, with the exception that rows 4 and 6 from panel B in the “CurrentP centrally cleared” worksheet_ have been deleted; for client firms reporting on their own behalf, as the distinction between “net” and “gross” initial margin and EAD is not relevant.

## 4.6 Worksheet “CurrentP non-centrally cleared”

The panels in worksheet “CurrentP non-centrally cleared” capture data required to calculate the exposures, margin and capital requirements on the firm’s current non-centrally cleared OTC derivatives portfolios under the proposed WGMR initial margin requirements and Basel III capital requirements. Similar to panels A.1 to A.5 in worksheet “CurrentP current framework”, each panel in worksheet “CurrentP non-centrally cleared” is for a different category of counterparty.

Where possible, firms should calculate WGMR initial margin requirements using internal or third party models. If the firms are not able to do so, they should calculate these requirements using the NIMM. In either case, firms should report both margin that they would collect, and margin that they would post under the relevant method.

The first part of each panel (rows 1 to 19) contains data on gross notional and number of counterparties, as well as calculations of initial margin and CCR RWAs without applying any threshold to the calculated initial margin. This is the baseline for comparing between the portfolio effects in the current portfolios in the worksheet “CurrentP non-centrally cleared” and those in the future portfolios in the worksheet “FutureP non-centrally cleared”. The second part of each panel (rows 21 to 37) contains calculations on initial margin and CCR RWAs with the €50 million threshold applied to the calculated initial margin. This part of the panels in the worksheets “CurrentP non-centrally cleared” and “FutureP non-centrally cleared” provides information relevant to estimating the impact on collateral and capital requirements of the €50 million threshold, pre- and post- clearing mandate.

It is important to note that when there are multiple counterparties (eg multiple netting sets or multiple legal entity pairs) between two counterparty firms, different ways of allocating the initial margin reduction due to the €50 million threshold on initial margin may impact the capital/CVA results, and the

total costs. For the sake of consistency in this QIS,[14] the amount of the initial margin reduction due to the threshold should be allocated to netting sets in ascending order of calculated IM required.[15]

Panel 1: All current non-centrally cleared derivatives with dealer banks — Table 12

| Row | Column | Heading | Description |
|---|---|---|---|
| 1 | C–G, I–J | Total gross notional outstanding amount | Sum of gross notional outstanding on non-centrally cleared OTC derivatives transactions with all dealer bank counterparties for each of the five asset classes:<br>interest rates;<br>foreign exchange;<br>credit;<br>equity; and<br>commodity.<br>This should not include collateral or any netting.<br>In columns I and J, the total gross notional outstanding for foreign exchange derivatives (column I) and for the firm's total non-centrally cleared OTC derivatives book (column J) should be reported after excluding all physically settled forwards and swaps from the firm's portfolios. |
| 2 | C–G, I–J | Total number of counterparties | The number of dealer bank counterparties in the firm's non-centrally cleared OTC derivatives portfolio for each asset class as described in row 1. |
| 3-19 | | Calculation of initial margin and capital with no threshold on initial margin | Firms should report initial margin requirements and consequent EAD and RWA information for currently non-centrally cleared portfolios under the WGMR proposed initial margin requirements, but with a zero threshold on the exchange of initial margin, for each asset class and in total. |
| 4 | | Initial margin calculation | Firms should calculate initial margin to be posted/collected under the WGMR proposals in the following rows. If the firm has an internal model for calculating IM requirements, it should complete rows 6-7; if not, it should complete rows 9-10. Firms should follow the instructions in row 1 for reporting information in columns I and J. |
| 6 | C–G, I–J | Total initial margin to be posted | Initial margin to be posted to dealer bank counterparties for each asset class, calculated based on internal or third-party quantitative models (QM). For FX and interest rates, if firms cannot report IM separately they should report the total figure in one of the interest rate/FX columns and note this in the remarks. |
| 7 | C–G, I–J | Total initial margin to be collected | Initial margin to be collected from dealer bank counterparties, calculated based on internal or third-party quantitative models (QM). For FX and interest rates, if firms cannot report IM separately they should report the total figure in one of the interest rate/FX columns and note this in the remarks. |
| 9 | C–G, I–J | Total initial margin to be posted | Initial margin to be posted to dealer bank counterparties, calculated using NIMM. |
| 10 | C–G, I–J | Total initial margin to be collected | Initial margin to be collected from dealer bank counterparties, calculated using NIMM. |

[14] The IM reduction share allocation prescribed in this QIS should not be construed as part of the WGMR requirements.

[15] For example, consider the case where there are four netting sets with a given counterparty, A, B, C, and D, which have baseline initial margin requirements of €10, 15, 40, and 60 million, respectively. After applying €50 million threshold, the resulting initial margin requirements for each netting set would become €0, 0, 15, and 60 million, respectively under the allocation scheme requested here.

| | | | |
|---|---|---|---|
| 11 | | Capital/CVA calculation | If the firm calculated IM requirements using internal models, it should complete rows 13-15; if it used NIMM, it should complete rows 17-19. Firms should follow the guidance in row 1 of this table in filling out column J. |
| 13 | H, J | Total EAD | Total EAD on all non-centrally cleared portfolios with dealer banks, after the collection of initial margin with a zero threshold, where that initial margin has been calculated using an internal model. |
| 14 | H, J | Total RWA for CCR default charge | Total default charge RWA as per Basel III standards for the current firm-wide non-centrally cleared portfolio after the collection of initial margin with a zero threshold, where that initial margin has been calculated using an internal model. |
| 15 | H, J | Total RWA for CVA charge | Total CVA RWA as per Basel III standards for the current firm-wide non-centrally cleared portfolio, after the collection of initial margin with a zero threshold, where that initial margin has been calculated using an internal model. |
| 17–19 | H, J | | Firms that used NIMM to calculate initial margin requirements should report the same information as in rows 13-15 here. |
| 21–37 | | Calculation of initial margin and capital after applying a EUR 50 million threshold to initial margin | Firms should fill in the same information as in rows 3-19, but assuming a EUR 50 million threshold on initial margin. |

For panels 2 to 5, firms should report the same information as in panel 1, for each category of counterparty.

## 4.7 Worksheet “FutureP non-centrally cleared”

The panels in the worksheet “FutureP non-centrally cleared” have identical structure to the corresponding panels in the worksheet “CurrentP non-centrally cleared”. The only difference is that the panels in worksheet “FutureP non-centrally cleared” represent the future portfolios of non-centrally cleared derivatives; ie the remaining portfolios after current clearing eligible trades have been removed from those portfolios.

## 4.8 Worksheet “CurrentP eligible”

The panels in the worksheet “CurrentP eligible” capture the exposures, margin and the capital requirements of the bilateral portfolios formed by the clearing eligible derivatives, defined by the Clearing List included in the annex, from the current portfolios in worksheet “CurrentP non-centrally cleared”. This worksheet represents the intermediate step after the clearing eligible derivatives have been extracted from the current portfolios of non-centrally cleared trades in worksheet “CurrentP non-centrally cleared”, but before they are combined with the trades in the Current AC-CCP portfolios in worksheet “CurrentP centrally cleared” to form the Future AC-CCP Portfolios in worksheet “FutureP centrally cleared”. By isolating the margin and capital costs for this intermediate step, the two competing portfolio effects, namely, the cost increase due to the splitting the bilateral portfolios versus the cost reduction due to the multilateral netting of CCP clearing, can be separately estimated and compared.

Because it is only an intermediate step, the relative incremental impact due to the initial margin threshold is not relevant and therefore not calculated, and firms are asked to report based on there being a zero threshold on initial margin requirements.

Similar to the panels 1 to 5 in worksheet “CurrentP non-centrally cleared”, each table is for a different type of counterparty. Panels 2 to 5 should be completed in the same way as panel 1 below.

Panel 1: All clearing eligible derivatives with dealer banks

Table 13

| Row | Column | Heading | Description |
|---|---|---|---|
| 1 | C–G, I–J | Total gross notional outstanding amount | Sum of gross notional outstanding on non-centrally cleared OTC derivatives transactions with all dealer bank counterparties for each of the five asset classes:<br>interest rate;<br>foreign exchange;<br>credit;<br>equity; and<br>commodity.<br>This should not include collateral or any netting.<br>In columns I and J, the total gross notional outstanding for foreign exchange derivatives (column I) and for the firm's total non-centrally cleared OTC derivatives book (column J) should be reported after excluding all physically settled forwards and swaps from the firm's portfolios. |
| 2 | C–G, I–J | Total number of counterparties | The number of dealer bank counterparties in the firm's non-centrally cleared OTC derivatives portfolio for each asset class as described in row 1. |
| 3-18 | | Calculation of initial margin and capital with zero threshold on initial margin | Firms should report initial margin requirements and consequent EAD and RWA information for currently non-centrally cleared portfolios under the WGMR proposed initial margin requirements, with a zero threshold on the exchange of initial margin, for each asset class and in total. |
| 3 | | Initial margin calculation | Firms should calculate initial margin to be posted/collected under the WGMR proposals in the following rows. If the firm has an internal model for calculating IM requirements, it should complete rows 5-6; if not, it should complete rows 8-9. Firms should follow the instructions in row 1 for reporting information in columns I and J. |
| 5 | C–G, I–J | Total initial margin to be posted | Initial margin to be posted to dealer bank counterparties for each asset class, calculated based on internal or third-party quantitative models (QM). |
| 6 | C–G, I–J | Total initial margin to be collected | Initial margin to be collected from dealer bank counterparties, calculated based on internal or third-party quantitative models (QM). |
| 8 | C–G, I–J | Total initial margin to be posted | Initial margin to be posted to dealer bank counterparties, calculated using NIMM. |
| 9 | C–G, I–J | Total initial margin to be collected | Initial margin to be collected from dealer bank counterparties, calculated using NIMM. |
| 10 | | Capital/CVA calculation | If the firm calculated IM requirements using internal models, it should complete rows 12 to 14; if it used NIMM, it should complete rows 16-18. Firms should follow the instructions in row 1 of this table in filling out column J. |
| 12 | H, J | Total EAD | Total EAD on all non-centrally cleared portfolios with dealer banks, after the collection of initial margin with a zero threshold, where that initial margin has been calculated using an internal model. |
| 13 | H, J | Total RWA for CCR default charge | Total default charge RWA as per Basel III standards for the current firm-wide non-centrally cleared portfolio after the collection of initial margin with a zero threshold, where that initial margin has been calculated using an internal model. |

| | | | |
|---|---|---|---|
| 14 | H, J | Total RWA for CVA charge | Total CVA RWA as per Basel III standards for the current firm-wide non-centrally cleared portfolio, after the collection of initial margin with a zero threshold, where that initial margin has been calculated using an internal model. |
| 16–18 | H, J | | Firms that used NIMM to calculate initial margin requirements should report the same information as in rows 12 to 14 here. |

# Annex

## List of OTC derivative products for central clearing in incentives assessment

As noted in Section 1 of the reporting instructions, one of the objectives of the incentives assessment is to evaluate whether regulatory reforms affecting OTC derivatives create appropriate incentives for market participants to centrally clear OTC derivatives. To facilitate this evaluation, the QIS analysis team is using the list of OTCD products that are likely to be centrally cleared in the near future that was prepared previously by the WGMR to enable firms participating in the QIS to adjust their OTCD portfolios to reflect changes due to the clearing mandate.

The purpose of providing a definitive list is to enhance the consistency and comparability of the QIS results from different firms in different regions of the world. **The list does not represent analysis team's view about the OTCD products that should or should not be centrally-cleared. Rather, it is an estimate of the OTCD products that are likely to be centrally cleared in the near future in light of the current and evolving regulatory landscape and market practice.**

The OTCD products that are likely to be centrally-cleared may not be identical across jurisdictions. The list provided below would be subject to modifications by national supervisors to reflect local market conditions and regulatory landscapes. Please discuss with your national supervisor as to whether any modifications have been made to the list.

### Interest Rates

| Specifications | Fixed-to-Floating Swap Class | | | |
|---|---|---|---|---|
| 1. Currency | US Dollar (USD) | Euro (EUR) | Sterling (GBP) | Yen (JPY) |
| 2. Floating Rate Indexes | LIBOR | EURIBOR | LIBOR | LIBOR |
| 3. Stated Termination Date Range | 28 days to 50 years | 28 days to 50 years | 28 days to 50 years | 28 days to 30 years |
| 4. Optionality | No | No | No | No |
| 5. Dual Currencies | No | No | No | No |
| 6. Uncertain Notional Amounts | No | No | No | No |

| Specifications | Basis Swap Class | | | |
|---|---|---|---|---|
| 1. Currency | US Dollar (USD) | Euro (EUR) | Sterling (GBP) | Yen (JPY) |
| 2. Floating Rate Indexes | LIBOR | EURIBOR | LIBOR | LIBOR |
| 3. Stated Termination Date Range | 28 days to 50 years | 28 days to 50 years | 28 days to 50 years | 28 days to 30 years |
| 4. Optionality | No | No | No | No |
| 5. Dual Currencies | No | No | No | No |
| 6. Uncertain Notional Amounts | No | No | No | No |

| Specifications | Forward Rate Agreement Class | | | |
|---|---|---|---|---|
| 1. Currency | US Dollar (USD) | Euro (EUR) | Sterling (GBP) | Yen (JPY) |
| 2. Floating Rate Indexes | LIBOR | EURIBOR | LIBOR | LIBOR |
| 3. Stated Termination Date Range | 3 days to 3 years | 3 days to 3 years | 3 days to 3 years | 3 days to 3 years |
| 4. Optionality | No | No | No | No |
| 5. Dual Currencies | No | No | No | No |
| 6. Uncertain Notional Amounts | No | No | No | No |

| Specifications | Overnight Index Swap Class | | |
|---|---|---|---|
| 1. Currency | US Dollar (USD) | Euro (EUR) | Sterling (GBP) |
| 2. Floating Rate Indexes | FedFunds | EONIA | SONIA |
| 3. Stated Termination Date Range | 7 days to 2 years | 7 days to 2 years | 7 days to 2 years |
| 4. Optionality | No | No | No |
| 5. Dual Currencies | No | No | No |
| 6. Uncertain Notional Amounts | No | No | No |

Note that these four categories overlap significantly with the interest rate swaps that are currently cleared by LCH SwapsClear:

http://www.lchclearnet.com/swaps/swapclear_for_clearing_members/products.asp

These four categories also have the top market volume based on available data (standardisation matrix and the transparency paper on interest rate derivatives by New York Fed).

## Credit

Because of the availability of more detailed data on CDS, we can assume a more detailed product list for clearing.

The list is based on two sources:

1. CDS cleared by ICE Clear Credit and ICE Clear Europe (https://www.theice.com/marketdata/reports/ReportCenter.shtml?reportId=98#report/98);
2. Data from DTCC Deriv/SERV Trade Information Warehouse (http://www.dtcc.com/products/derivserv/data/index.php)

The list for CDS consists of the following:

## CDS Index

### MARKIT ITRAXX Europe Index Swaps

- ITRAXX.Europe, ITRAXX.Europe.Crossover, ITRAXX.Europe.Hivol: 5-Year on-the-run and off-the-run series
- ITRAXX.Europe: 10-Year on-the-run and off-the-run series

### MARKIT CDX Index Swaps

- CDX.IG, CDX.HY, CDX.IG.HVOL: 5-Year on-the-run and off-the-run series
- CDX.IG: 10-Year on-the-run and off-the-run series

## Single-name CDS

- CDS for 137 corporate names and 4 Latin American sovereigns cleared by ICE Clear Credit
- CDS for 125 corporate names cleared by ICE Clear Europe
- Top 500 single-names by gross national (there are names in this category overlap with the names cleared by ICE Clear Credit and ICE Clear Europe)

The single-name CDS list is included in the worksheets titled “Single-name CDS Top 500” and “Single-name CDS ICE” in the incentives assessment workbook.

## Commodity

All commodity swap products cleared by CME should be included. A detailed list of these products is included in the “Commodity swap CME” worksheet in the incentives assessment workbook.

In addition, include all commodity swaps cleared by ICE. These swaps can be found at the following website:

https://www.theice.com/productguide/Search.shtml?productGuide=&advancedKeyword=&markets=ICE+Futures+Europe

Please note that many of the products cleared by CME and ICE are exchanged-traded. To the extent the firms currently trade products bilaterally that are “look-alikes” of exchange-traded products, those products are likely to be subject to a clearing mandate. That is, if a product can be exchange-traded and cleared, then a bilateral version also can be assumed to be cleared.

## Currency

All currency options that are cleared by the OCC. A list of these options can be obtained at the following website:

http://www.theocc.com/clearing/clearing-services/specifications-currency-options.jsp

Please note that the products cleared by OCC are exchanged-traded. Again, bilateral look-alikes should be assumed to be cleared.

## Equity

At this stage we have not identified any equity derivatives that are clearing eligible.