

Basel Committee on Banking Supervision

CRE

Calculation of RWA for credit risk

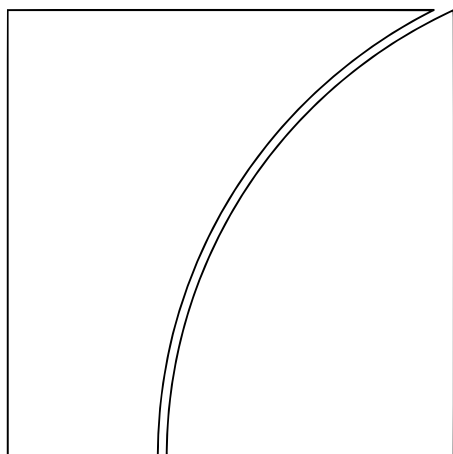
CRE55

Counterparty credit risk in the trading book

This chapter describes how to calculate risk-weighted assets for counterparty credit risk exposures in the trading book, which is treated separately from the capital requirements for market risk.

Version effective as of 15 December 2019

First version in the format of the consolidated framework.



BANK FOR INTERNATIONAL SETTLEMENTS

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55.1

Banks must calculate the counterparty credit risk charge for over-the-counter (OTC) derivatives, repo-style and other transactions booked in the trading book, separate from the capital requirement for market risk. The risk weights to be used in this calculation must be consistent with those used for calculating the capital requirements in the banking book. Thus, banks using the standardised approach in the banking book will use the standardised approach risk weights in the trading book and banks using the internal ratings-based (IRB) approach in the banking book will use the IRB risk weights in the trading book in a manner consistent with the IRB roll-out situation in the banking book as described in [CRE30.46](#) to [CRE30.53](#). For counterparties included in portfolios where the IRB approach is being used the IRB risk weights will have to be applied.

55.2

In the trading book, for repo-style transactions, all instruments, which are included in the trading book, may be used as eligible collateral. Those instruments which fall outside the banking book definition of eligible collateral shall be subject to a haircut at the level applicable to non-main index equities listed on recognised exchanges (as noted in [CRE22.44](#)). However, where banks are using the own estimates approach to haircutting they may also apply it in the trading book in accordance with [CRE22.48](#) to [CRE22.49](#). Consequently, for instruments that count as eligible collateral in the trading book, but not in the banking book, the haircuts must be calculated for each individual security. Where banks are using a value-at-risk models approach to measuring exposure for securities financing transactions, they also may apply this approach in the trading book in accordance with [CRE22.74](#) to [CRE22.77](#) and [CRE51](#).

55.3

The calculation of the counterparty credit risk charge for collateralised OTC derivative transactions is the same as the rules prescribed for such transactions booked in the banking book (see [CRE51](#)).

55.4

The calculation of the counterparty charge for repo-style transactions will be conducted using the rules in [CRE51](#) spelt out for such transactions booked in the banking book. The firm-size adjustment for small or medium-sized entities as set out in [CRE31.9](#) shall also be applicable in the trading book.