

Basel Committee on Banking Supervision

DIS

Disclosure requirements

DIS45

Sovereign exposures

This chapter describes disclosure requirements for sovereign exposures.

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First version in the consolidated Basel Framework.



BANK FOR INTERNATIONAL SETTLEMENTS

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Introduction

45.1

This chapter sets out disclosure requirements for sovereign exposures. Implementation of the templates set out in this chapter is only mandatory when required by national supervisors at a jurisdictional level.

45.2

The definitions used throughout the templates are consistent with [CRE20](#), [MAR22](#) and [MAR40](#).

45.3

The disclosure requirements under this section are:

1. Template SOV1: Exposures to sovereign entities – country
2. Template SOV2: Exposures to sovereign entities – currency denomination breakdown
3. Template SOV3: Exposures to sovereign entities – accounting classification breakdown

Template SOV1: Exposures to sovereign entities - country

TABLE.1

Purpose: To decompose banks' sovereign exposures and risk-weighted assets by significant jurisdictions (ie those jurisdictions to which a bank has material sovereign exposures).

Scope of application: The template is mandatory for all banks only when required by national supervisors at a jurisdictional level.

Content: Regulatory exposure amounts.

Frequency: Semiannual.

Format: Fixed. (The columns cannot be altered; the rows will vary based on each bank's country breakdown.)

Accompanying narrative: Banks are expected to supplement the template with a narrative to explain any significant changes in sovereign exposures to different countries. Banks may also provide further details on short positions that provide hedging benefits against trading book sovereign exposures where these benefits are not recognised in the calculations used for column b (ie they are not recognised in the net jump-to-default (JTD) calculation set out in [MAR22.19](#) to [MAR22.21](#), or, for banks subject to the simplified standardised approach for market risk, the net long position calculation set out in [MAR40](#)). For example, this could include information on short positions that are not fully recognised due to maturity mismatches, or any index or proxy single-name CDS hedges. In addition, banks may provide information on exposures that are the result of national requirements or other regulatory requirements.

Soveriegns and their central banks

		a	b	c
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		Banking book sovereign exposures (after CCF and CRM)	Trading book sovereign exposures	Risk-weighted assets
	Significant jurisdiction* where the counterparties are located (in descending order of total exposure value)	Amount (including on- and off- balance sheet)	Amount	Amount
1	Total			
2	Jurisdiction 1			
2a	<i>of which: denominated in domestic currency</i>			
3	Jurisdiction 2			
3a	<i>of which: denominated in domestic currency</i>			
4	...			

* Banks shall provide data for their exposures to each significant jurisdiction separately, but have the flexibility to provide data by region for their exposures to other jurisdictions.

Multilateral development banks (MDBs) and non-central government public sector entities (PSEs), when exposures to these PSEs are treated as exposures to the sovereigns in whose jurisdiction the PSEs are established

[idem]

Definitions

Banks should disclose in accordance with the asset classes as defined under the credit risk framework (see [CRE20.7](#) to [CRE20.15](#)).

Columns

(a) *Banking book sovereign exposures (after CCF and CRM)*: Banks should provide the total value of all sovereign exposures in the banking book (see credit risk framework), after CCF and CRM, including both on- and off-balance sheet exposures. This should include exposures with a zero risk weight.

(b) *Trading book sovereign exposures*: Banks should provide the exposure value for their entire trading book portfolio that results in a loss in the case of a default (ie long position as defined in [MAR22.10](#)), without applying the applicable risk weights (see market risk framework). Therefore, banks are required to provide exposure value even when they apply a zero risk weight to claims on sovereigns per [MAR22.7](#). All banks should report the net long JTD risk positions for each sovereign as calculated per [MAR22.19](#) to [MAR22.21](#). As an exception to this, any bank that is subject to the simplified standardised approach for market risk per [MAR40](#) should report the net long position calculated for specific risk, recognising any full offsetting allowances per [MAR40.16](#), but without applying any partial offsetting allowances per [MAR40.17](#) or [MAR40.18](#).

(c) *Risk-weighted assets*: Banks should report total RWAs including both banking book and trading book exposures. For trading book exposures, banks (including those that use the internal models approach for market risk) should report 12.5 times the sum of the risk-weighted net long JTDs. As an exception to this, any bank that is subject to the simplified standardised approach for market risk should apply 12.5 times the percentage capital requirements per [MAR40.6](#) Table 1 to the position reported in column b. Column c, RWA, must include counterparty credit risk as defined in [CRE50](#) and [CRE51](#).

Rows

Banks should provide a jurisdiction breakdown of all jurisdictions to which they have a material exposure. If total exposures across all MDBs are material, then banks should include a combined row for all MDBs, without the currency breakdown. Information about individual MDBs is not expected regardless of materiality. Exposures to PSEs from each jurisdiction should be reported in a separate row.

(1) *Total*: This row should include the total exposures to all jurisdictions, whether or not they are included in the jurisdiction breakdown. This row may therefore not be equal to the sum of the jurisdiction breakdown.

Linkages across templates

Amount in [SOV1:1/a] is equal to [SOV2:1/a]

Amount in [SOV1:1/b] is equal to [SOV2:1/b]

Amount in [SOV1:1/c] is equal to [SOV2:1/c]

Template SOV2: Exposures to sovereign entities - currency denomination breakdown

TABLE.2

Purpose: To decompose banks' sovereign exposures and risk-weighted assets by currency denomination for those jurisdictions to which banks have material sovereign exposure.

Scope of application: The template is mandatory for all banks only when required by national supervisors at a jurisdictional level.

Content: Regulatory exposure amounts.

Frequency: Semiannual.

Format: Fixed. (The columns cannot be altered; the rows will vary based on each bank's currency breakdown.)

Accompanying narrative: Banks are expected to supplement the template with a narrative to explain any significant changes in currency denomination of sovereign exposures across countries. Banks may also provide further details on short positions that provide hedging benefits against trading book sovereign exposures where these benefits are not recognised in the calculations used for column b (ie they are not recognised in the net JTD calculation set out in [MAR22.19](#) to [MAR22.21](#), or, for banks subject to the simplified standardised approach for market risk, the net long position calculation set out in [MAR40](#)). For example, this could include information on short positions that are not fully recognised due to maturity mismatches, or any index or proxy single-name CDS hedges. In addition, banks may provide information on exposures that are the result of national requirements or other regulatory requirements.

Sovereigns and their central banks

		a	b	c
		Banking book sovereign exposures (after CCF and CRM)	Trading book sovereign exposures	Risk-weighted assets
	Significant currency denomination* (in descending order of exposure value)	Amount (including on- and off-balance sheet)	Amount	Amount
1	Total			
2	Currency 1			
3	Currency 2			
	...			

* Banks need to provide currency breakdown data for aggregate exposures to significant jurisdictions, but have the flexibility to provide data by region for their exposures to other jurisdictions.

MDBs and non-central government PSEs, when exposures to these PSEs are treated as exposures to the sovereigns in whose jurisdiction the PSEs are established

[idem]

Definitions

Banks should disclose in accordance with the asset classes as defined under the credit risk framework (see [CRE20.7](#) to [CRE20.15](#)).

Columns

(a) *Banking book sovereign exposures (after CCF and CRM)*: Banks should provide the total value of all sovereign exposures in the banking book, after CCF and CRM, including both on- and off-balance sheet exposures (see credit risk framework). This should include exposures with a zero risk weight.

(b) *Trading book sovereign exposures*: Banks should provide the exposure value for their entire trading book portfolio that results in a loss in the case of a default (ie long position as defined in [MAR22.10](#)), without applying the applicable risk weights (see market risk framework). Therefore, banks are required to provide exposure value even when they apply a zero risk weight to claims on sovereigns per [MAR22.7](#). All banks should report the net long JTD risk positions for each sovereign as calculated per [MAR22.19](#) to [MAR22.21](#). As an exception to this, any bank that is subject to the simplified standardised approach for market risk per [MAR40](#) should report the net long position calculated for specific risk, recognising any full offsetting allowances per [MAR40.16](#), but without applying any partial offsetting allowances per [MAR40.17](#) or [MAR40.18](#).

(c) *Risk-weighted assets*: Banks should report total RWAs including both banking book and trading book exposures. For trading book exposures, banks (including those that use the internal models approach for market risk) should report 12.5 times the sum of the risk-weighted net long JTDs. As an exception to this, any bank that is subject to the simplified standardised approach for market risk should apply 12.5 times the percentage capital requirements per [MAR40.6](#) Table 1 to the position reported in column b. Column c, RWA, must include counterparty credit risk as defined in [CRE50](#) and [CRE51](#).

Rows

Banks should provide a currency breakdown of significant currencies for those jurisdictions to which they have a material sovereign exposure. If total exposures across all MDBs are material, then banks should provide currency breakdown data for such exposures.

Information about individual MDBs is not expected regardless of materiality. Similarly, banks should provide currency breakdown data for exposures to PSEs. Currency breakdown data for exposures to PSEs in each jurisdiction is not required.

(1) *Total*: This row should include the total exposures to all currencies, whether or not they are included in the currency breakdown. This row may therefore not be equal to the sum of the exposures to individual currencies included in the currency breakdown.

Linkages across templates

Amount in [SOV2:1/a] is equal to [SOV1:1/a]

Amount in [SOV2:1/b] is equal to [SOV1:1/b]

Amount in [SOV2:1/c] is equal to [SOV1:1/c]

Template SOV3: Exposures to sovereign entities - accounting classification breakdown

TABLE.3

Purpose: To decompose banks' sovereign exposures by accounting classification.

Scope of application: The template is mandatory for all banks only when required by national supervisors at a jurisdictional level.

Content: Carrying value (under regulatory scope of consolidation).

Frequency: Semiannual.

Format: Fixed. (The columns and rows cannot be altered.)

Accompanying narrative: Banks are expected to supplement the template with a narrative to explain any significant changes in the classification of sovereign exposures across countries. Banks are also expected to supplement the template with a narrative commentary to explain any material concentration of exposures to sovereigns towards jurisdictions other than their domestic jurisdiction in any of the maturity buckets included in columns (d) to (h) and (o) to (r), indicating the jurisdictions of the sovereign exposures and the amounts within the relevant maturity bucket, particularly on those buckets that represent a longer-term maturity.

Sovereigns and their central banks

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r
	Debt instruments / loans and receivables			Total exposures for debt instruments / loans and receivables						Direct sovereign exposures in derivatives					Total exposures in derivatives (on-balance sheet)			

	Fair value through profit and loss (FVTPL)	Fair value through other comprehensive income (FVTOCI)	Amortised cost (AC)	Maturity buckets						Notional value (NV)	Positive values		Negative values		Maturity buckets																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
				< 12 months	12 months to < 2 years	2 years to < 5 years	5 years and more	No maturity	Total		Total derivative NV	NV	Fair value through profit and loss (FVTPL)	NV	Fair value through profit and loss (FVTPL)	< 12 months				12 months to < 2 years				2 years to < 5 years				5 years and more																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
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MDBs and non-central governments PSEs, when exposures to these PSEs are treated as exposures to the sovereigns in whose jurisdiction the PSEs are established
[idem]

Columns

(a) *Debt instruments – fair value through profit and loss*: Banks must disclose the carrying value of debt instruments (held in the banking book and trading book) that are measured at FVTPL. May comprise:

- Instruments held for trading.

- Instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling assets and that do not qualify for the SPPI (solely payments of principal and interest) test.
- When the entity has exercised the option to designate instruments at FVTPL that would otherwise have been classified at amortised cost or at FVTOCI, provided that doing so eliminates or significantly reduces a measurement or recognition inconsistency (referred to as an "accounting mismatch").

(b) *Debt instruments – fair value through other comprehensive income*: Banks must disclose the carrying value of debt instruments measured at FVTOCI. These comprise the instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling assets and that qualify for the SPPI test.

(c) *Debt instruments / loans and receivables – amortised cost*: Banks must disclose the carrying value of debt instruments and loans and receivables measured at amortised cost. These comprise the instruments and loans and receivables that are held within a business model whose objective is to collect contractual cash flows and that qualify for the SPPI test.

(d) - (i) *Total exposures for debt instruments / loans and receivables*: Banks should disclose the amount according to the residual maturity of each exposure. Residual maturity should be computed as the difference between the contractual date of maturity and the reporting reference date. When the reporting reference date is after the contractual date of maturity (ie the difference between reporting reference date and maturity date is a negative value), the exposure shall be allocated to the [< 12 months] bucket and therefore reported in column (d).

- Callable instruments should be disclosed according to the contractual date of maturity.

- Perpetual bonds and other exposures without defined maturity should be reported in the "no maturity" column (h).

(j) - (n) *Direct sovereign exposures in derivatives*: In the notional value column banks should disclose the notional amount of direct exposures in derivatives where the counterparty is a sovereign. Banks may report either total derivative notional at column (j) only or notional by positive or negative fair value at column (k) and column (m) respectively. In the fair value through profit and loss column, banks should disclose the carrying value of derivatives measured at FVTPL.

(o) - (r) *Total exposures in derivatives (on-balance sheet)*: Banks should disclose the amount according to the residual maturity of each exposure. Residual maturity should be computed as the difference between the contractual date of maturity and the reporting reference date. When the reporting reference date is after the contractual date of maturity (ie the difference between reporting reference date and maturity date is a negative value), the exposure shall be allocated to the [< 12 months] bucket and therefore reported in column (o). The "No maturity" bucket for derivatives should be included in the "< 12 month" bucket.

Rows

If total exposures across all MDBs are material, then banks should provide accounting classification breakdown data for such exposures. Information about individual MDBs is not expected regardless of materiality. Similarly, banks should provide accounting classification breakdown data for exposures to PSEs. Accounting classification breakdown data for exposures to PSEs in each jurisdiction is not required.

(2) *Net value*: Total gross value less allowances. Allowances include expected credit losses/loss allowances as defined in Template CR1.