Basel Committee
on Banking Supervision

Instructions for Large Exposures QIS

May 2013

BANK FOR INTERNATIONAL SETTLEMENTS

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

ISBN 92-9131-934-1 (print)

ISBN 92-9197-934-1 (online)

Contents

Instructions for the Large Exposures QIS

I. Introduction

The Basel Committee on Banking Supervision ("the Committee")[1] is undertaking an exercise to assess the potential impact of a consultative document published in March 2013, *Supervisory framework for measuring and controlling large exposures* ("the consultative document").[2] The instructions in this document must be read in combination with this consultative document.

The Committee will treat all individual bank data collected in this exercise strictly confidential and will not attribute them to individual banks.

The descriptions of the data items in these instructions intend to facilitate the completion of the monitoring questionnaire and are not to be construed as an official interpretation of other documents published by the Committee. We ask banks to complete the questionnaire on a best efforts basis.

The remainder of the document is organised as follows. Section II discusses general issues such as the scope of the exercise and the overall structure of the questionnaire. Section III outlines the information about a reporting bank that is requested. Section IV sets out the requested data on a bank's capital and Section V explains the information on the type of counterparty for which exposures data is reported that is requested. Section VI outlines the requested data on exposures.

II. General

A. Scope of the exercise

Participation in the exercise is voluntary. The Committee expects both large internationally active banks and smaller institutions to participate in the study, as all of them could be potentially affected if the proposals for large exposures regulation in the consultative document were introduced. Data should be reported for consolidated groups.[3]

B. Filling in the data

It is important that banks only use the workbook obtained from their respective national supervisory agencies to submit their returns. Any modification to the worksheets might render the workbook unusable both for the validation of the final results and the subsequent aggregation process.

[1] The Basel Committee on Banking Supervision 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 in Basel, Switzerland, where its permanent Secretariat is located.

[2] http://www.bis.org/publ/bcbs246.pdf.

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

Data should be entered in the yellow cells. There are also some pink cells in the General info tab which will be completed by the relevant national supervisory agency. The white cells are calculation result and 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. Where information is available and the value is zero, a zero should be entered in the corresponding cell.

C. Process

The Committee or its Secretariat will **not** collect data directly from banks. Banks in participating countries should contact their supervisory agency to discuss how the completed questionnaires should be submitted. National supervisory agencies will forward relevant data to the Secretariat of the Basel Committee where individual bank data will be treated strictly confidential and will not be attributed to individual banks.

Similarly, banks should direct all questions related to this exercise and the related consultative document to their national supervisory agencies. Where necessary, they will coordinate their responses through the Secretariat of the Basel Committee to provide responses that are consistent across countries. If necessary, a document with responses to frequently asked questions will be maintained on the Basel Committee's website.

Banks should specify any instance where they had to deviate from the instructions provided here. The "old" Microsoft Office document types (.doc, .xls) should be used for data submission rather than the new Office 2007/2008 types (.docx, .xlsx).

D. Reporting date

If possible all data should be reported as of end-December 2012. If data availability does not allow a bank to use this reporting date or if the financial year differs from the calendar year, suitable alternatives should be discussed with the relevant national supervisory agency.

E. Exposures included

Proposals for the definition of a large exposure and requirements on a bank to report such exposures to its supervisor are set out in paragraphs 24 and 25 of the consultative document. For the purposes of this exercise a bank is asked to report:

(a) All exposures to a counterparty identified as G-SIB (defined as a bank that is or is part of the bank groups identified as global systemically important banks (G-SIBs) in Annex I of http://www.financialstabilityboard.org/publications/r_121031ac.pdf.) when their value[4] are larger than 5% of Basel III-eligible Common Equity Tier 1 capital (after regulatory adjustments).

(b) All exposures to all other types of counterparties with values[4] greater than 10% of the current level of Basel III-eligible Common Equity Tier 1 capital (after regulatory adjustments);

[4] Values defined under the exposure measures proposed in the consultative document and after the effects of credit risk mitigation have been taken into account in the ways proposed in the consultative document.

(c) On a best effort basis, all exposures to counterparties other than G-SIBs with values comprised between 5% and 10% of the current level of Basel III-eligible Common Equity Tier 1 capital (after regulatory adjustments);

(d) If the number of exposures reported according to the rules defined in a, b and c hreabove is smaller than 20, the bank should report its 20 largest exposures whatever their value.

Exposures to sovereign counterparties should **not** be reported in this exercise.

Exposures to entities in the same group as the reporting banks (ie intra-group exposures) should **not** be reported in this exercise. For the purposes of this exercise, intra-group exposures are defined in accordance with the scope of regulatory consolidation defined within the Basel II framework (www.bis.org/publ/bcbs128.pdf), which determines that all banking and other relevant financial activities (defined as excluding insurance activities), both regulated and unregulated, conducted within a group containing an internationally active bank will be captured through consolidation. Thus, majority-owned or –controlled banking entities, securities entities (where subject to broadly similar regulation or where securities activities are deemed banking activities) and other financial entities should generally be fully consolidated. A bank should treat exposures to entities not included within the scope of regulatory consolidation as outlined here as third party exposures and therefore report these accordingly within the questionnaire.

Any exposures that would normally deducted from a bank' capital should also **not** be reported (it is proposed in paragraph 50 of the consultative document that deducted exposures should not be subject to the large exposure limit). But exposures that are 1250% risk-weighted should be reported (see footnote 11 in the consultative document).

III. Information about the reporting bank

The general information worksheet in the questionnaire asks for basic information about the reporting banks and the data on exposures and capital that are provided. Several of the items should be left blank – these should be completed by national supervisory agency before the data are forwarded to the Secretariat of the Basel Committee.

Reporting bank information

Excel row	Heading	Description
6	Country code	Leave blank.
7	Region code	Leave blank
8	Bank number	Leave blank
9	Bank is a single legal entity (Yes/No)	Leave blank
10	Bank is a subsidiary of a banking group (Yes/No)	Leave blank

11	Bank type (eg joint stock company)	Leave blank
12	Bank group (global systemically important bank (G-SIB), Non-G-SIB Group 1, Group 2)[5]	Leave blank
13	Conversion rate	Leave blank
14	Submission date (yyyy-mm-dd)	Leave blank
15	Reporting date (yyyy-mm-dd)	Date as of which all data are reported in the template
16	Reporting currency (ISO code)	Three-character ISO code of the currency in which all data is reported (eg USD, EUR). (All data items should be reported in the same currency.)
17	Units (1, 1000, 1000000)	Units (single currency units, thousands, millions) in which results are reported. (All data items should be reported in the same units.)

IV. Capital

The general information worksheet asks for data on levels of a bank's capital under different definitions of capital. These data will be used to express exposures that are reported as percentages of the alternative measures of capital.

The definitions of capital that should be used are those that were used in the Basel III monitoring exercise.[6]

All data for Common Equity Tier 1 capital, Additional Tier 1 capital, and Tier 2 provided should reflect the application of the final Basel III standards set out in paragraphs 49 to 90 of the Basel III framework[7] and **not** the transitional arrangements set out in paragraphs 94 to 96. Furthermore, data reported should not reflect any instances where the national implementation differs from the Basel III standard.

Total capital refers to the value of total regulatory capital under the rules that applied in a bank's jurisdiction at the time of the reporting date. Similarly, total risk weighted assets refers to the value under the rules that applied in a bank's jurisdiction at the time of the reporting date.

5 A bank is part of a group that is a global systemically important bank (G-SIB) if it is in the list of G-SIBs contained in Annex I of http://www.financialstabilityboard.org/publications/r_121031ac.pdf .

6 http://www.bis.org/bcbs/qis/biiiimplmoninstr_feb13.pdf

7 http://www.bis.org/publ/bcbs189.pdf.

Capital

Excel row	Heading	Paragraph	Description
23	Common Equity Tier 1 capital – after regulatory adjustments	43	Common Equity Tier 1 capital as defined in Basel III, all deductions fully phased-in (ie as of 1 January 2019[8]). (See instructions for Basel III monitoring exercise.)
24	Additional Tier 1 – after regulatory adjustments	43	Additional Tier 1 capital as defined in Basel III, all deductions fully phased-in (ie as of 1 January 2019[8]). (See instructions for Basel III monitoring exercise.)
25	Tier 2 – after regulatory adjustments	43	Tier 2 capital as defined in Basel III, all deductions fully phased-in (ie as of 1 January 2019[8]). (See instructions for Basel III monitoring exercise.)
26	Total capital	43	Enter the value of total regulatory capital under the rules that applied in your jurisdiction at the time of the reporting date.
27	Total risk-weighted assets	43	Enter the value of total risk-weighted assets under the rules that applied in your jurisdiction at the time of the reporting date.

V. Nature of counterparties

A. Groups of connected counterparties

In the consultative document it is proposed that an exposure to a group of counterparties with mutual relationships or dependencies that imply they are all likely to fail simultaneously should be subject to the large exposure limit. A group of counterparties may be connected because of relationships of control or economic dependencies between them. Section II.D of the consultative document outlines the approach to identifying groups of connected counterparties.

Banks are asked to follow the guidance in the consultative document to identify exposures to groups of connected counterparties. In the questionnaire a bank is asked to state whether an exposure to a specific counterparty is an exposure to a group of connected counterparties or to an individual counterparty (Yes if it is a group of connected counterparties and No if it is not).[9] Banks are also asked to highlight the reason why they have grouped a set of connected counterparties (control relationships, economic dependencies, or both).

8 The value of capital reported should correspond to the instruments existing at the reporting date, to which Basel III rules that will be applicable as off 2019 are applied. Grand-fathering has to be taken into account as it will be at this date.

9 A bank should **not** report separately each of the individual exposures to counterparties that comprise a group of connected counterparties.

An individual counterparty or a group of connected counterparties			
Excel row	Heading	Reference in the CD	Definition
4	Counterparty reference number		Non-entry column.
5	Is the counterparty a group of connected counterparties?	26-36	Answer Yes if the counterparty is a group of connected counterparties according to the guidance provided in the consultative document (see paragraphs 28-36 in the consultative document). Answer No if the counterparty is an individual counterparty.
6	Reasons for grouping counterparties	26-36	If the answer in row D is Yes, state the reasons for grouping the set of counterparties: control relationships; economic dependencies; or both. If the answer in row D is No, leave this row blank.

B. Counterparty types

The consultative document outlines proposals for the treatment of specific exposures (see section IV of the consultative document). To gather information relevant to these specific exposures, and for identifying the types of other counterparties, the type of counterparty codes shown below should be reported. Eg if a bank reports exposures to counterparties 1 (a G-SIB), 2 (a non-G-SIB), and 3 (a non-financial company), it should specify in the row 'Counterparty type' the codes A1, A2, and E for these counterparties, respectively.

A bank should specify the type of counterparty for each exposure it reports to its national supervisory agency in this exercise. If a bank is uncertain about the type of certain counterparties (eg whether a CCP is a Q-CCP or a Non-Q-CCP) it should discuss this with its national supervisory authority.

Any exposure to a counterparty of a type not in the list below should **not** be reported (see section II.E).

In the case of an exposure to a group of connected counterparties, when all of the counterparties within a group are of the same type, a bank should report the code for that type. When the counterparties within a group are of different types a bank should report the type that corresponds to the main activity of this group. For example, if a group of connected counterparties is comprised of three insurance companies a bank should report type C1 for that group in row 7 of the questionnaire. If a group of connected counterparties is comprised of two insurance companies and one non-financial company, with equal-sized exposures to each of these entities, a bank should report C1 in row 7.

Counterparty types			
Category	Sub-category	Code	Definition
Bank	G-SIB	A1	A bank that is or is part of the bank groups identified as global systemically important banks (G-SIBs) in Annex I of http://www.financialstabilityboard.org/publications/r_121031ac.pdf.
	Non-G-SIB	A2	Banks that are <u>not</u> among the set of G-SIBs in Annex I of http://www.financialstabilityboard.org/publications/r_121031ac.pdf. Exclude banks that are financial market infrastructures (FMIs).

Market infrastructures	Q-CCP	B1	A qualifying central counterparty (Q-CCP) is a licensed CCP that is based and prudentially supervised in a jurisdiction where the relevant regulator or overseer has established, and publicly indicated that it applies to the CCP, on an ongoing basis, domestic rules and regulations that are consistent with the CPSS-IOSCO International Principles for Financial Market Infrastructures.
	Non-Q-CCP	B2	A central counterparty that does not meet the criteria to be a Q-CCP
	FMI - licensed as a bank	B3	A financial market infrastructure (FMI) that has a banking licence. (Eg securities settlement systems, central securities depositories – see http://www.bis.org/publ/cpss101a.pdf.)
	FMI - not licensed as a bank	B4	A financial market infrastructure (FMI) that does not have a banking licence. (Eg securities settlement systems, central securities depositories – see http://www.bis.org/publ/cpss101a.pdf.)
Non-bank financial company	Insurance company	C1	A company that undertakes primarily insurance activities.
	Securities firm	C2	A company whose principal line of business is in securities brokerage and trading, managing investments (where such investments are primarily derivatives).
	Other	C3	Any other non-bank financial company that does not fit into the other categories.
Collective investment undertakings, securitisations and other vehicles ('transactions')	A 'transaction'	D1	A collective investment undertaking or a structured financial product to which a bank is exposed. (This counterparty type should be used when a transaction passes the granularity test is passed and hence the look-through approach is not applied – see section VI.F below.)
	Unknown client	D2	Category of exposure that cannot be identified when a bank applies the look through approach to a transaction. (This counterparty type should only be used when the look-through approach should be applied and a bank cannot identify one or more of the underlying counterparties of the transaction – see section VI.F below. All exposures that cannot be assigned to specific counterparties under the look- through approach should be assigned to this counterparty; therefore, any completed questionnaire should contain no more than one exposure to a counterparty of this type.)
	A third party that poses an additional risk to a transaction	D3	A third party (eg a fund manager, liquidity/credit protection provider, or asset originator) who may cause a loss on an investment in a transaction due to causes related to its own circumstances (ie unrelated to losses on the underlying assets). (This counterparty type should only be used in a case when the risk of loss on a transaction due to a third party is the only exposure a bank has to that third party or arises independently of the failure of that third party – see section VI.F below.)
Non-financial company		E	A company that does not undertake primarily financial services activities.
Other		F	A counterparty that does not fit under any of the other categories and is **not** exempted from the scope of the exercise (see Section II.E for the types of exposures that are exempted).

C. Counterparties within accounting consolidation but outside regulatory consolidation

As explained in section II.E, exposures to counterparties that are within the scope of regulatory consolidation should not be reported in this exercise but exposures to counterparties that are outside of the scope of regulatory consolidation but within the scope of accounting consolidation should be reported in accordance with the criteria for defining exposures that should be reported set out in section II.E.

If a specific counterparty is one that is outside of the scope of regulatory consolidation but within the scope of accounting consolidation, a bank should answer Yes in row 8. For example, a bank should answer Yes in the case of an insurance company, which is normally outside the scope of regulatory consolidation but within the scope of accounting consolidation and for these purposes would be treated as a third party exposure.

A bank should **not** connect counterparties that are outside of the scope of regulatory consolidation but within the scope of accounting consolidation to form groups of connected counterparties even if the criteria set out in section II.D of the consultative document are satisfied for these counterparties.

A counterparty is within the scope of accounting consolidation

Excel row	Heading	Reference in the CD	Definition
8	Is the counterparty outside of the scope of regulatory consolidation but within the scope of accounting consolidation?	-	Answer Yes if the counterparty is outside of the scope of regulatory consolidation but within the scope of accounting consolidation. Answer No otherwise.

VI. Exposure values

In this part of the questionnaire data on exposure values should be reported. Exposure values should be calculated in accordance with the exposure measures proposed in the consultative document. Exposure values should be reported in terms of the currency units specified in the Reporting Bank Information part of the questionnaire (ie exposure values should not be reported as percentages of capital). Each column will record the information related to all the exposures that the reporting bank has with a particular counterparty.

A. Total exposures

This part of the questionnaire shows a bank's overall exposures to a specific counterparty before and after credit risk mitigation is taken into account. Entries in rows 9 and 10 will be functions of entries in other rows and hence these rows should be left blank.

Banks are asked to report the total values of exposures to counterparties under current large exposures regulations in their jurisdiction.

Calculated rows

Excel row	Heading	Reference in the CD	Definition
9	Total exposure (gross of CRM)	67-73	Total exposure before the impact of credit risk mitigation (CRM) is taken into account and substitution of exposures. Non-entry row. (Entries in this row will be functions of entries in other rows.)
10	Total exposure (net of CRM)	67-73	Total exposure after the impact of CRM is taken into account and substitution of exposures if the substitution approach is used. Non-entry row. (Entries in this row will be functions of entries in other rows.)
11	Total exposure under current large exposure rules	-	Total exposure using large exposures rules that apply in your jurisdiction at the time of the reporting date. This should be net of credit risk mitigation in accordance with these rules. Leave blank if current large exposures rules do not apply to an exposure.

B. Banking book on balance sheet non-derivatives

In this part of the questionnaire, a bank is asked to report the values of the elements of its exposure to a specific counterparty that are in the banking book and that do not relate to off-balance sheet commitments and derivative positions.

For banks using the Standardised Approach for credit risk, exposure values should be calculated in the same way as they would under the Standardised Approach for the purposes of calculating capital requirements; ie exposure values should be net of specific provisions and value adjustments (see paragraph 53 of the consultative document).

For banks using the Internal Ratings-Based Approach for credit risk, exposure values should be exposures at default (EAD) but banks are asked to net from these specific provisions and value adjustments to ensure consistency with the exposure values calculated by banks using the Standardised Approach (see paragraph 53 of the consultative document). But should the netting of specific exposures and value adjustments be operationally burdensome for banks using the Internal Ratings-Based Approach for credit risk, they may report gross exposure values instead.

Banks are asked to decompose balance sheet exposures into elements in the form of loans to a counterparty, investments in debt securities issued by a counterparty, and investments in equities issued by a counterparty.[10] An 'Other' category should be used for other forms of exposure that do not fall into loans, debt securities, or equities categories.

In the case of a counterparty of type A1 or A2 (ie a bank), the values of the elements of these banking book exposures that have maturities of overnight and between overnight and three month should be reported in rows 20 and 21. (See section IV.B of the consultative document for a discussion of the treatment of interbank exposures.)

[10] Other securities (eg preference shares) should be included in either the debt or the equity categories in accordance with the rules in the Basel II framework (http://www.bis.org/publ/bcbs128.pdf).

Banking book on balance sheet non-derivatives

Excel row	Heading	Paragraph	Description
14	Total exposure		Sum of loans, debt securities, equities and other exposures in the banking book to a counterparty. Non-entry row.
15	Loans	53	For a bank using the Standardised Approach for credit risk: exposure value net of specific provisions and value adjustments. For banks using the Internal Ratings-Based Approach for credit risk: exposure at default net of specific provisions and value adjustments or exposure at default (if netting of specific provisions and value adjustments is too operationally burdensome).
16	Debt securities	53	For a bank using the Standardised Approach for credit risk: exposure value net of specific provisions and value adjustments. For banks using the Internal Ratings-Based Approach for credit risk: exposure at default net of specific provisions and value adjustments or exposure at default (if netting of specific provisions and value adjustments is too operationally burdensome).
17	Equities	53	For a bank using the Standardised Approach for credit risk: exposure value net of specific provisions and value adjustments. For banks using the Internal Ratings-Based Approach for credit risk: exposure at default net of specific provisions and value adjustments or exposure at default (if netting of specific provisions and value adjustments is too operationally burdensome).
18	Others	53	For a bank using the Standardised Approach for credit risk: exposure value net of specific provisions and value adjustments. For banks using the Internal Ratings-Based Approach for credit risk: exposure at default net of specific provisions and value adjustments or exposure at default (if netting of specific provisions and value adjustments is too operationally burdensome).
If counterparty type = A1 or A2, exposures with maturities of:			
20	Overnight	53	Total value of exposures with a maturity of overnight. For a bank using the Standardised Approach for credit risk: exposure value net of specific provisions and value adjustments. For banks using the Internal Ratings-Based Approach for credit risk: exposure at default net of specific provisions and value adjustments or exposure at default (if netting of specific provisions and value adjustments is too operationally burdensome).
21	Between overnight and three months	53	Total value of exposures with a maturity of overnight or longer and three months or shorter. For a bank using the Standardised Approach for credit risk: exposure value net of specific provisions and value adjustments. For banks using the Internal Ratings-Based Approach for credit risk: exposure at default net of specific provisions and value adjustments or exposure at default (if netting of specific provisions and value adjustments is too operationally burdensome).

C. Banking book off-balance sheet commitments

In this part of the questionnaire, a bank is asked to report the values of the elements of its exposure to a specific counterparty that are in the banking book and in the form of off-balance sheet commitments. Banks are asked to report the values of these exposures under different sets of credit conversion factors (CCFs) (ie the CCFs proposed in the consultative document, a 100% CCF for all commitments, and the CCFs in the Basel II framework).

Banking book off-balance sheet commitments

Excel row	Heading	Paragraph	Description
24	If CCFs according to the consultative document are applied	63-66	Apply a credit conversion factor (CCF) of 20% to short-term, self-liquidating letters of credit arising from the movement of goods (see paragraph 85 of http://www.bis.org/publ/bcbs128.pdf). Apply a CCF of 50% to certain transaction-related contingent items (see paragraph 84(ii) of http://www.bis.org/publ/bcbs128.pdf). Apply a CCF of 100% to all other off-balance sheet commitments. (**Including** to any commitments that are unconditionally cancellable at any time by a bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness.)
25	If 100% CCF applied to all commitments	63-66	Apply a CCF of 100% to all off-balance sheet commitments. (**Including** to any commitments that are unconditionally cancellable at any time by a bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness.)
26	If CCFs according to the Basel II framework		Apply CCFs to off-balance sheet items as set out in paragraphs 82-86 of http://www.bis.org/publ/bcbs128.pdf for a bank using the Standardised approach for credit risk. Apply CCFs to off-balance sheet items as set out in paragraphs 311-315 of http://www.bis.org/publ/bcbs128.pdf for a bank using the Foundation Internal Ratings-Based approach for credit risk. Apply CCFs to off-balance sheet items as set out in paragraph 316 of http://www.bis.org/publ/bcbs128.pdf for a bank using the Advanced Internal Ratings-Based approach for credit risk.

D. Trading book

In this part of the questionnaire, a bank is asked to report the values of the elements of its exposure to a specific counterparty that are in the trading book.

But investments in index positions, securitisations, hedge funds, or collective investment undertakings should be reported in the section of the questionnaire called 'transactions' (see section VI.F of these instructions).

A bank is asked to report the total exposure value of the elements of its exposure to a specific counterparty that are in the trading book before **and** after offsetting of long and short positions in accordance with the approach proposed in the consultative document (see section III.E of the consultative document). Banks are allowed to offset long and short positions in the same issue (ie in the same instrument) and long positions in an issue can be offset against short positions in more junior issues of the same issuer. If the net position in one exposure type is short a bank should report a zero value.

A bank is also asked to report values of positions in debt securities and equities issued by a counterparty where a bank has invested in these claims directly. The measures of these exposures should be the market value of the positions. A bank should report the net positions when offsetting is allowed assuming 100% LGD (see paragraphs 89 and 90 of the consultative document). For example, there may be long positions that can be netted with short positions resulting from option positions.

A bank is asked to report values of positions in claims issued by a counterparty where a bank has invested in these claims indirectly.

- For swaps, futures, and forwards on a claim issued by a specific counterparty, a bank should use the decomposition into individual legs for the purposes of calculating capital requirements in the Basel II framework and report the long position as the exposure.
- For credit derivatives that represent sold credit protection on a claim issued by a specific counterparty, the exposure to the counterparty is the amount due to be paid to the buyer of the protection in the case of the trigger event occurs minus the absolute value of the credit protection plus the market value of the credit derivative to the seller in the event that this value is positive (see paragraphs 82 and footnote 19 of the consultative document).
- For credit-linked notes, a bank should use the measure used for the purposes of calculating capital requirements in the Basel II framework.
- For options for which a claim to a specific counterparty is the underlying in the option contracts, a bank should use the measures proposed in paragraphs 83-84 in the consultative document.

Any other exposures in the trading book that do not fit into any of the above categories should be reported in the 'Other' row.

Trading book

Excel row	Heading	Paragraph	Description
29	Total exposure (after offsetting)	78-95	Sum of net exposures after each long position in an issue has been offset against short positions in more junior issues.
30	Total exposure (before offsetting)	78-95	Sum of gross exposures before offsetting (ie sum of long positions).
31	Debt securities	81	Market value of holdings. Assume a 100% loss-given-default. (See paragraph 709(i)-(iii) in http://www.bis.org/publ/bcbs128.pdf.)
32	Equity	81	Market value of holdings. Assume a 100% loss-given-default. (See paragraph 718(xix) in http://www.bis.org/publ/bcbs128.pdf.)
Underlying in:			
34	Forwards, swaps, futures	82	See paragraph 718(xi)-(xii) in http://www.bis.org/publ/bcbs128.pdf.
35	Options	83-84	Sum of values of long and short call options, long and short put options, using the following formulae: Long call option = market value of the option Short put option = strike price of the option – market value of the option Short call option = -1*market value of the option Long put option = -1*(strike price of the option – market value of the option)
36	Credit derivatives	82	See paragraph 706-708 of http://www.bis.org/publ/bcbs128.pdf.
37	Credit-linked notes	82	See paragraph 718 of http://www.bis.org/publ/bcbs128.pdf.

38	Other		For any other trading book exposures not covered in items above that could generate losses in the event of the failure of a counterparty and are not investments in index positions, securitisations, hedge funds, or collective investment undertakings, use the value of the exposure that would be lost in the event of the failure of the counterparty (assuming a 100% loss-given-default).

E. Counterparty credit risk

In this part of the questionnaire banks are asked to report elements of exposures to specific counterparties that arise from these being counterparties in derivative trades and in securities financing transactions (SFTs). (SFTs are repurchase agreements, reverse repurchase agreements, securities lending, securities borrowing, and margin lending transactions.)

It is proposed in the consultative document that banks should use **whichever** method they use to measure exposure amount or EAD for instruments with counterparty credit risk for the purposes of calculating capital requirements to calculate exposures to derivative counterparties (see paragraph 58 of the consultative document). Thus, depending on which method a bank uses for purposes of calculating capital requirements, a bank should report its exposure to a specific counterparty arising from derivative trades with that counterparty using the exposure amount or EAD under Current Exposure Method, the Standardised Method, or the Internal Models Method.

For SFTs, banks should use the comprehensive approach with supervisory haircuts to measure exposures associated with SFTs. If a bank uses one of the other permitted methods for calculating these exposures for purposes of calculating capital requirements, a bank is also asked to report the value of these exposures using whichever method it uses for calculating capital requirements.

In the case of a counterparty of type A1 or A2 (ie a bank), the values of the elements of repo and reverse repo exposures that have maturities of overnight and between overnight and three months should also be reported using rows 54 and 55. (See section IV.A of the consultative document for a discussion of the treatment of interbank exposures.)

N.B. Collateral: Whether a bank uses the Current Exposure Method, the Standardised Method or the Internal Models Method, the counterparty credit risk exposure to derivatives counterparties that it reports in this section should be reported net of collateral. As a result, a bank should **not** account for the same collateral again in section VI.H ('Credit risk mitigation'). But a bank **should** account for an exposure to an issuer of securities serving as collateral in these exposures in section VI.I ('Exposures to a CRM provider').

Similarly, because exposures to SFT counterparties calculated using the comprehensive approach with supervisory haircuts are calculated net of collateral, a bank should **not** account for the same collateral again in section VI.H ('Credit risk mitigation'). But a bank **should** account for the exposure to the issuer of the securities serving as collateral in these exposures in section VI.I ('Exposures to a CRM provider').

Counterparty credit risk

Excel row	Heading	Paragraph	Description
41	Total exposure	54-62	Sum of counterparty credit risk exposures to a counterparty. Non-entry row.
Derivatives			

43	IMM	54-58	Value of counterparty credit risk exposure to a counterparty using the Internal Models Method (IMM) if IMM is used to calculate capital requirements for these exposures. If IMM is **not** used to calculate capital requirements for these exposures, this is a **non-entry row**.
44	Standardised Method	54-58	Value of counterparty credit risk exposure to a counterparty using the Standardised Method if the Standardised Method is used to calculate capital requirements for these exposures. If the Standardised Method is **not** used to calculate capital requirements for these exposures, this is a **non-entry row**.
45	CEM	54-58	Value of the counterparty credit risk exposure to a counterparty using the Current Exposure Method (CEM) if CEM is used to calculate capital requirements for these exposures. If CEM is **not** used to calculate capital requirements for these exposures, this is a **non-entry row**.
46	Notional value	-	The aggregate notional value of all derivative positions with this counterparty.
SFTs using:			
48	Comprehensive approach and supervisory haircuts	59-62	Value of exposures to a counterparty arising from securities financing transactions (SFTs) using the comprehensive approach for collateralised transactions with supervisory haircuts.
49	Simple approach	59-62	Value of exposures to a counterparty arising from SFTs using the simple approach for collateralised transactions if the simple approach is used to measure these exposures for the purposes of calculating capital requirements. If the simple approach for collateralised transactions is **not** used to calculate capital requirements for these exposures, this is **non-entry row**.
50	VaR	59-62	Value of exposures to a counterparty arising from SFTs using the value-at-risk (VaR) method if the VaR method is used to measure these exposures for the purposes of calculating capital requirements. If the VaR approach for collateralised transactions is **not** used to calculate capital requirements for these exposures, this is a **non-entry row**.
51	Comprehensive approach and internal model haircuts	59-62	Value of exposures to a counterparty arising from SFTs using the comprehensive approach for collateralised transactions with internal model-based haircuts if the comprehensive approach for collateralised transactions with internal model-based haircuts is used to measure these exposures for the purposes of calculating capital requirements. If the comprehensive approach for collateralised transactions with internal model-based haircuts is **not** used to calculate capital requirements for these exposures, this is a **non-entry row**.
52	IMM		Value of exposures to a counterparty arising from SFTs using the Internal Models Method (IMM) if the IMM is used to measure these exposures for the purposes of calculating capital requirements. If the IMM is **not** used to calculate capital requirements for these exposures, this is a **non-entry row**.
If counterparty type = A1 or A2, repo and reverse repo exposures with maturities of:			
54	Overnight		Total value of exposures for repo and reverse repo with a maturity of overnight using the comprehensive approach for collateralised transactions with supervisory haircuts.

55	Between overnight and three months		Total value of exposures for repo and reverse repo with a maturity of between overnight and three months using the comprehensive approach for collateralised transactions with supervisory haircuts.

F. Collective investment undertakings, securitisations, and other vehicles ('transactions')

This section collects the information related to the exposures that arise from the investments a bank has in a 'transaction' (ie a fund, a securitisation vehicle or other type of vehicle with underlying assets). See paragraphs 104-122 of the consultative document for details on the proposed treatment of these exposures.

The information a bank is asked to include for each transaction they invest in depends on whether a particular transaction passes a 'granularity test': if the largest underlying exposure in a transaction does not exceed 1% of the total value of a transaction, then the test is passed and a bank does not have to look through to the underlying exposures; if the largest underlying exposure in a transaction exceeds 1% of the total value of a transaction, then the test is not passed and a bank should attempt to look through to the underlying exposures.

If the granularity test is passed, a bank should recognise an exposure to the transaction itself (in row 59). The counterparty type in this case is D1 (a transaction).

If the granularity test is not passed, a bank should identify the underlying exposures and any underlying exposure to a specific counterparty should be reported (in row 60). If a bank is unable to identify an underlying exposure, the value of this exposure should be reported in row 60 as an exposure to the 'unknown client' counterparty (ie exposures to this counterparty type, D2, collects all exposures that cannot be assigned to specific counterparties). See box 1 for a simple example of how a bank should complete the questionnaire when the granularity test is not passed and the identity of some but not all underlying exposures can be identified.

In addition, banks are required to assess possible additional risks (see paragraph 116-119 in the consultative document). When such risks are identified, banks would recognise a new exposure in row 61. If this identified risk factor is common to several transactions, then banks should connect these transactions as a group of connected counterparties. In the case that the bank has also a direct exposure to a third party where that third party also represents a common risk factor to a transaction(s), its exposure to such transaction should be added to any direct exposure to the third party only when the bank can lose its investment in the transaction in the event of the default of the third party (ie in the case that the third party is the credit protection provider). In this case, the transaction/transactions connected by this common risk factor would be recorded in the row that corresponds to the counterparty that acts as additional risk factor (under the row 61).

There may also be cases where the risk of loss on a transaction due to a third party does not arise due to the failure of that third party. In this case, the exposure to the transaction should not be added to any other exposures to the third party. Instead the transaction(s) connected by this common risk factor should be reported in a separated row, using the counterparty type "a third party that poses an additional risk to a transaction" (ie counterparty code D3).

This element of the proposals in the consultative document might be unfamiliar to many banks given it is not necessarily a feature of large exposures rules in jurisdictions currently. Thus, for the purposes of this exercise, a bank should consider only two possible additional sources of risk: (i) that arising from the manager of a fund; and (ii) that arising from the credit protection provider of synthetic securitisations. Thus, a bank should report the total value of transactions managed by a particular manager in row 61 as an exposure to that manager as a specific counterparty. A bank should use the counterparty type D3.

If it is the case that a bank also has a direct exposure (eg loan) to the particular manager, given that the manager's behavior vis-à-vis the funds would not affect the repayment of the loan, the direct exposure should be recorded in a separate column to the column that the exposures to the counterparty as a manager of the transactions is reported. See Box 2 for an illustrative example. In the case of the credit protection provider this may not be the case, and the exposure to the securitisation should be reported in the same column as any other exposures a bank has to that credit protection provider.

Collective investment undertakings, securitisations, and other vehicles ('transactions')

Excel row	Heading	Paragraph	Description
58	Total exposure	104-122	The total exposure arising from an investment in a transaction. Non-entry row.
59	When look through is not required for a transaction	105-109	The value of the investment in the transaction. The investment is a bank's pro-rata share held in the transaction; eg if a bank holds a 1% share in a transaction with 20 underlying exposures each with a value of 5, the value of a bank's investment in the transaction if the look through approach is not required is 1 (0.01*20*5).
60	When look through is required for a transaction	105-114, 121-122	The value of the exposure to an underlying exposure in the transaction. The investment is a bank's pro-rata share held in the transaction; eg if a bank holds a 1% share in a transaction with 20 underlying exposures each with a value of 5, the value of a bank's exposure to each of the underlying exposures is 0.05 (ie 0.01*5).
61	Additional risks identified	115-120	The value of the investment in a transaction or transactions if an additional risk that could cause a loss on its investment in a transaction or transactions is identified.

Box 1: Example illustrating how to complete the questionnaire when the granularity threshold is not passed

Assume a bank has the following exposures:

- Transaction I: Exposure to a CIU of 100; granularity threshold is not passed; 50 of the assets held by the CIU were issued by counterparty α; the remaining 50 in underlying assets were issued by counterparties that cannot be identified;
- Transaction II: Exposure to a securitisation vehicle of 100; granularity threshold is not passed; 50 of underlying assets held by the securitisation were issued by counterparty β; the remaining 50 in underlying assets were issued by counterparties that cannot be identified;
- Loan to counterparty α of 100;
- Loan to counterparty β of 50;
- Counterparties α and β are both non-financial companies.

A bank's total exposure to counterparty α is the value of the loan to α (100) plus the exposure to α as an underlying to transaction I (50). Its total exposure to counterparty β is the value of the loan to β (50) plus the exposure to β as an underlying exposure to transaction II (50). The illustration of the questionnaire below shows how a bank would complete data on its exposures to counterparties α and β.

A bank should consider the two underlying exposures to counterparties that cannot be identified as exposures to the 'unknown client'. The total exposures to the unknown client should be reported in the questionnaire in the way illustrated below.

	1 (ie α)	2 (ie β)	3 (ie unknown client)
Counterparty type	E	E	D2
Total exposure (gross of CRM)	150	100	100
Loans	100	50	
CIUs, securitisations and other vehicles – when look through is required for a transaction	50	50	100

Box 2: Exposures to third parties that represent an additional risk

Assume a bank has the following exposures:

- A loan to counterparty α of 50;
- Exposure to transaction I of 100; granularity test is not passed; underlying exposures to counterparty β of 50 and counterparty χ of 50; counterparty α is the manager of the transaction/ fund;
- Exposure to transaction II of 100; granularity test is not passed; underlying exposures to counterparty δ of 50 and counterparty ε of 50; counterparty α is the manager of the transaction/ fund.
- Counterparties β-ε are non-financial companies.
- Counterparty α is a non-bank financial company other

Below is an illustration of how a bank would complete the questionnaire for its exposures to counterparties α-ε. It would report exposures to counterparties β-ε in row 60. It would report an exposure to α arising from the loan in row 15. It would group its exposures to counterparty α as a manager of the funds in which it invests in a separate column, in row 61.

	1 (ie α as the fund manager)	2 (ie α as a borrower)	3 (ie β)	4 (ie χ)	5 (ie δ)	6 (ie ε)
Counterparty type	D3	C3	E	E	E	E
Total exposure (gross of CRM)	200	50	50	50	50	50
Loans		50				
CIUs, securitisations and other vehicles – when look through is required for a transaction			50	50	50	50
CIUs, securitisations and other vehicles – additional risks identified	200					

G. CCP exposures

This section of the questionnaire collects the information on a bank's exposures to the central counterparties (CCPs). Two options for the treatment of these exposures are presented in the consultative document (see paragraphs 124-125 of the consultative document).

A bank should break down exposures to a specific CCP following the proposals in paragraph 127 of the consultative document. In addition, a bank is asked to provide data for two other forms of exposure to a CCP (initial margin if bankruptcy remote and committed default fund contributions).

Other exposures a bank may have to a CCP should if possible be reported in the relevant rows elsewhere in the questionnaire (eg if a bank has an equity take in a CCP in its banking book it should report the value of that stake in row 17). If there are other exposures that do not fit under any other rows in the template, these exposures should be reported in row 70.

Regarding the counterparty type to be used, if a bank is a clearing member of a CCP, or acts through a clearing member (ie has indirect access) and its exposures to which are treated as exposures to the CCP for the purposes of calculating capital requirements for these exposures, the CCP exposures should be included in a specific column as an exposure to a CCP (the national supervisory agency can specify whether the CCP is a Q-CCP or Non-Q-CCP). For banks that acts through a clearing member and its exposures to which are not treated as exposure to the CCP for the purposes of calculating capital requirements for these exposures, these exposures should be included in a column for exposures to the counterparty acting as its clearing member, alongside any other exposures a bank may have to that specific counterparty.

Definitions of the elements of a bank's exposure to a CCP that are requested can be found in the document Capital requirements for bank exposures to central counterparties.[11] This document modifies Annex 4 of the Basel II framework.

CCP exposures

Excel row	Heading	Paragraph	Description
64	Total exposure		Sum of trade exposure, initial margin (if not bankruptcy remote), default fund contribution (funded), and other exposures. Non entry row.
65	Trade exposure	127	Value of trade exposures to a CCP. The exposure value of trade exposures should be calculated in line with the definition used for determining capital requirements, in accordance with Annex 4 of the Basel II framework (http://www.bis.org/publ/bcbs128.pdf). A bank should use whichever method (ie IMM, Standardised Method, or CEM) it uses for the purposes of calculating capital requirements.
66	Initial margin (if bankruptcy remote)	127 and footnote 27	Value of initial margin posted to a CCP if it is bankruptcy remote from a CCP (ie segregated from a CCP's own accounts). The exposure value is the same as that used for the purposes of calculating capital requirements.
67	Initial margin (if not bankruptcy remote)	127	Value of initial margin posted to a CCP if it is not bankruptcy remote from a CCP. The exposure value is the same as that used for the purposes of calculating capital requirements.
68	Default fund contribution (funded)	127	Value of contributions to a CCP's default fund that are funded (see paragraph 120 of http://www.bis.org/publ/bcbs227.pdf). The exposure value is the same as that used for the purposes of calculating capital requirements.

[11] http://www.bis.org/publ/bcbs227.pdf.

69	Default fund contribution (committed)	127	Value of contributions to a CCP's default fund that have not been funded but are committed. The exposure value is the amount that a CCP could demand under certain circumstances (ie there is a formal commitment). The exposure value is the same as that used for the purposes of calculating capital requirements. (Unlimited commitments should not be included.)
70	Other (if not included in Loans or Equities)	127 and footnote 29	Value of any other exposures to a CCP and that cannot be assigned to any other row in the template.

H. Credit risk mitigation

This section of the questionnaire collects data on effects of credit risk mitigation (CRM) on exposure values. The purpose of this section is twofold: to get information on the amounts by which exposures to counterparties are reduced by the different forms of CRM; and how the values of these amounts depends on the method for calculating the effect of CRM proposed in the consultative document.

Banks are asked to report data on the amount by which an exposure to a specific counterparty is reduced due to the use of CRM techniques, both unfunded and funded, in accordance with the proposed methods in the consultative document.

Banks are asked to report data on the effects of unfunded CRM on an exposure to a specific counterparty, using guarantees (row 75) and using credit derivatives (row 76).

Banks are also asked to report data on the effects of funded CRM (ie financial collateral) on an exposure to a specific counterparty. Under the proposals in the consultative document:

- if a bank applies the substitution approach for the purposes of determining capital requirements it should use this method for determining the effect of funded CRM on an exposure to a specific counterparty – a bank that uses the substitution approach is asked to report data the effect of funded CRM using the substitution approach (row 78);
- if a bank applies the comprehensive approach for the purposes of determining capital requirements it should use this method for determining the effect of funded CRM on an exposure to a specific counterparty using the set of supervisory haircuts and using internal model-based haircuts (if a bank uses these) (rows 80 and 81).

The value of the effects of CRM a bank should include in this section of the template should be calculated following the general CRM framework set out in paragraphs 109-120 of the Basel II framework.[12]

Credit risk mitigation

Excel row	Heading	Paragraph	Description
73	Total value	67-77	The total effect of CRM on the value of a bank's exposure to a specific counterparty. Non-entry row.

[12] http://www.bis.org/publ/bcbs128.pdf.

75	Value of credit risk mitigation using unfunded credit risk protection - using guarantees	69	The amount by which an exposure to a specific counterparty is reduced by the use of an eligible guarantee. The value should be calculated as it would be for the purposes of calculating capital requirements.
76	Value of credit risk mitigation using unfunded credit risk mitigation - using credit derivatives	69	The amount by which an exposure to a specific counterparty is reduced by the use of credit derivatives. The value should be calculated as it would be for the purposes of calculating capital requirements.
78	Value of credit risk mitigation using financial collateral under the Substitution Approach	69	The amount by which an exposure to a specific counterparty is reduced by the value of eligible financial collateral. The value should be calculated as it would be for the purposes of calculating capital requirements. A bank need only fill in this row if it uses the Substitution Approach (in the Simple Approach to financial collateral) for the purposes of calculating capital requirements.
80	Value of credit risk mitigation using financial collateral under the Hybrid Approach - using supervisory haircuts	71-72	The amount by which an exposure to a specific counterparty is reduced by the value of eligible financial collateral less supervisory haircuts. The value should be calculated as it would be for the purposes of calculating capital requirements but using supervisory haircuts. A bank need only fill in this row if it uses the Comprehensive Approach to financial collateral for the purposes of calculating capital requirements.
81	Value of credit risk mitigation using financial collateral under the Hybrid approach - using internal model haircuts	71-72	The amount by which an exposure to a specific counterparty is reduced by the value of eligible financial collateral less internal estimated haircuts. The value should be calculated as it would be for the purposes of calculating capital requirements. A bank need only fill in this row if it uses the Comprehensive Approach to financial collateral for the purposes of calculating capital requirements.

I. Exposures to a CRM provider

In the consultative document it is proposed that when a bank reduces its total exposure to a specific counterparty because of CRM it assigns the reduction in this exposure to the providers of the CRM (see paragraph 73 of the consultative document), **except** when the provider of the CRM is exempted from the scope of the exercise (eg sovereign exposures, cash deposited at a bank by the counterparty). For example, if a bank's exposure to counterparty 1 is secured by *x* worth of collateral in the form of debt securities issued by counterparty 2, then a bank reduces its exposure to counterparty 1 by *x* but increases its exposure to counterparty 2 by *x*.

In this part of the questionnaire we ask banks to report the exposures assigned to a counterparty that provides CRM. The section follows the structure of the Credit Risk Mitigation section of the questionnaire.

If one considered all of a bank's counterparty exposures, the total value of exposures to CRM providers should equal the total value of the reductions in exposures due to CRM. But this will not necessarily be the case in the data submitted under this exercise because of the scope of exposures that should be reported (see section II.E of these instructions). For instance, if an exposure to a counterparty is reduced by financial collateral comprised of bonds issued by a central government, the exposure assigned to that government as a provider of CRM should **not** be reported in this exercise because sovereign exposures are not meant to be reported.

A bank must substitute an exposure to a CRM provider for the reduction in an exposure to a specific counterparty due to CRM both it is uses the Substitution or the Comprehensive Approach to financial collateral for purposes of calculating capital requirements.

The value of the exposures a bank should include in this section of the template should be calculated following the general CRM framework set out in paragraphs 109-120 of the Basel II framework.[13]

Exposures to a CRM provider

Excel row	Heading	Paragraph	Description
84	Total exposure	67-77	Total exposure to a specific counterparty due to it providing CRM. Non-entry row.
Value of credit risk mitigation using unfunded credit protection			
85	using guarantees	69	The amount by which a bank is exposed to a specific counterparty because that counterparty provides eligible guarantees for other exposures. The value of this exposure is the total amount of protection provided to a bank by a specific counterparty through guarantees that is taken into account for the purposes of calculating a bank's capital requirements.
86	using credit derivatives	69	The amount by which a bank is exposed to a specific counterparty because that counterparty provides credit protection in the form of credit derivatives for other exposures. The value of this exposure is the total amount of protection provided to a bank by a specific counterparty through the use of credit derivatives that is taken into account for the purposes of calculating a bank's capital requirements.
Value of credit risk mitigation using financial collateral under:			
89	Substitution approach		The amount by which a bank is exposed to a specific counterparty because claims issued by that counterparty serve as financial collateral against other exposures. The value of this exposure is the total amount of protection provided to a bank by a specific counterparty through the use of financial collateral that is taken into account for the purposes of calculating a bank's capital requirements. A bank need only fill in this row if it uses the Substitution Approach (in the Simple Approach to financial collateral) for the purposes of calculating capital requirements.
Hybrid approach			

[13] http://www.bis.org/publ/bcbs128.pdf.

91	using supervisory haircuts		The amount by which a bank is exposed to a specific counterparty because claims issued by that counterparty serve as financial collateral against other exposures. The value of this exposure is the total amount of protection provided to a bank by a specific counterparty through the use of financial collateral that is taken into account for the purposes of calculating a bank's capital requirements (using supervisory haircuts). A bank need only fill in this row if it uses the Comprehensive Approach to financial collateral for the purposes of calculating capital requirements.
92	using internal model haircuts		The amount by which a bank is exposed to a specific counterparty because claims issued by that counterparty serve as financial collateral against other exposures. The value of this exposure is the total amount of protection provided to a bank by a specific counterparty through the use of financial collateral that is taken into account for the purposes of calculating a bank's capital requirements (using internal estimated haircuts). A bank need only fill in this row if it uses the Comprehensive Approach to financial collateral for the purposes of calculating capital requirements.

J. Exposures to a provider of a position hedge

In this section banks are asked to report exposures to a provider of a credit derivative that is a hedge for position in the trading book (see paragraph 92 of the consultative document). That is, if a bank hedges a position, the value of this position is reduced by the value of the hedge but in doing so a new exposure to the provider of the credit derivative, with the value equal to that of the hedge, is created.

For example, suppose that a bank has a trading book position representing 100 of credit protection sold by Counterparty 1 against Company A. The bank then hedges its exposure to Company A by buying 100 of credit protection against Company A from Counterparty 2. The bank would use row 95 to report its exposure to Counterparty 2 arising from the credit protection it has purchased.

Exposures to a provider of a position hedge

Excel row	Heading	Paragraph	Description
95	Value of hedge using credit derivatives	92	The value of the exposure to the seller of a credit derivative that is a hedge to a trading book position. This is the amount of exposure that is netted from other trading book positions.