Overview of COREP

for small- and medium-sized banks & investment firms

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1 Introduction

Capital Requirements Regulation IV[1] (CRRIV) is primarily European Parliament's implementation of the Basel III rules and introduces a single set of harmonised prudential rules (Single Rulebook) for all banks and investments firms in the European Union (EU). This establishes a level playing field, in terms of capital, liquidity and leverage standards across all EU institutions and removes different interpretations or gold-plating of the rules. CRRIV replaces the existing Banking and Investment Firm Prudential Sourcebook (BIPRU) and General Prudential Sourcebook (GENPRU) rules and outlines the new methodologies and calculations to be used to evaluate own funds, capital requirements, liquidity and leverage ratios.

Areas where the links with the national administrative laws are particularly important and areas where there degree of prescription is lower are covered under a separate instrument called **Capital Requirements Directive IV (CRDIV)**[2]. This outlines the powers and responsibilities of the national regulators, internal risk management that are linked to the national company law and corporate governance provisions.

Regulation (CRR IV) (Detailed and highly prescriptive provisions establishing a single rule book)	**Directive (CRD IV)** (Strong links with national law, less prescriptive)
Capital (Own funds and capital requirements)	Access to taking up/pursuit of business
Liquidity (Liquidity Coverage, Stable Funding)	Exercise of freedom of establishment and free movement of services
Leverage	Prudential supervision
Counterparty credit risk	Capital buffers
Large exposure	Corporate governance
Disclosure by institutions	Sanctions
	Remuneration
	Relations with third countries

The most significant change for small- and medium-sized institutions is the increase in capital required, changes to Risk Weighted Assets (RWAs) in a few cases, new liquidity requirements, new leverage ratio and a complete new framework for reporting to the regulators.

The Prudential Regulatory Authority (PRA)[3] plans to delete BIPRU, except for liquidity rules (BIPRU 12) and GENPRU, except for cross-sector groups (GENPRU 3). These rules are now being replaced by the rules in the CRR (Single Source Book). The PRA will also be amending, as necessary, the Supervision manual (SUP) and Systems and Controls (SYSC) chapters to reflect the new supervisory requirements.

[1] Regulation (EU) No 575/2013 of the European Parliament
[2] Directive 2013/36/EU of the European Parliament
[3] PRA Consultation Paper (CP/13) - Strengthening capital standards: implementing CRD IV

Common Reporting (COREP) is European Banking Authority's (EBA) prudential reporting framework for banks and certain investment firms in accordance with CRR/CRD IV. The aim of COREP is to achieve a harmonised and convergent reporting framework based on common formats for all European banks and investment firms. COREP requires firms to provide detailed information about own funds (i.e., capital) adequacy; group solvency; own funds requirement based on credit, market & operational risk; securitisations; large exposures; liquidity risk and leverage.

The information or data reported using the COREP templates are at a more granular level than that required by the current PRA and Financial Conduct Authority (FCA) reports. The additional granularity will lead to a requirement for enhanced capabilities and solutions for data collection, consolidation and reporting.

As per the CRR and Final draft Implementing Technical Standards (ITS) published by the EBA on 26th July 2013[1], COREP reporting will come into effect from **1st January 2014**, except in the case of liquidity coverage ratio which comes into effect from 31st March 2014.

Please note that FINREP shall apply only from 1st July 2014 and has not been covered in this paper. FINREP is only applicable for firms reporting on a consolidated basis and is not applicable for firms reporting on a solo or solo-consolidated basis.

2 Scope of CRR/COREP and firms affected

CRR/COREP will apply to all institutions that are covered by PRA/FCA's BIPRU and GENPRU.

All EU based banks, building societies and investment firms will be affected by the new CRR rules and COREP reporting. The population of the affected firms, based on the PRA's Consultation Paper (CP5/13) is listed below:

Type of credit institution	Small (Total assets < £100b)	Large (Total assets > £100b)	Total
Banks	178	25	203
Building Societies	50	1	51
Total credit institutions	**228**	**26**	**254**

Type of investment firm	Small (Total assets < £100m)	Large (Total assets > £100m)	Total
Limited activity	109	24	133
Limited license	1,437	118	1,555
Full scope	163	71	234
Total Investment firms	**1,709**	**213**	**1,922**
Total firms affected	**1,937**	**239**	**2,176**

The top 10 firms represent approximately 64% of UK banking sector assets and these firms hold about 60% of the total capital resources in the UK banking sector.

[1] EBA FINAL draft Implementing Technical Standards on supervisory reporting under Regulation (EU) No 575/2013

3 COREP Templates

EBA's COREP provisional templates can be split into four categories as listed below. Only a few of the templates are applicable to small- and medium-sized banks and investment firms that follow standardised methodologies to quantify risk. The most relevant templates for such firms are highlighted in green[1].

3.1 Category-1: Capital adequacy and capital requirements

- **CA - Capital Adequacy (6 templates)**
  1. CA1 - Own funds – providing details about the firm's available capital
  2. *CA2* - Own funds requirements – calculating the capital requirement (based on risk-weighted credit and counterparty credit risk, market risk and operational risk)
  3. *CA3* - Capital ratios – providing details about CET1 capital ratio, Tier-1 capital ratio and total capital ratio[2] (CA3)
  4. *CA4* - Memorandum items – details about items like deferred tax assets, provisions and capital buffers (CA4)
  5. Transitional provisions
     - *CA5.1* - Transitional provisions – items covered under the transitional provisions which will be phased out in due course
     - *CA5.2* - Grandfathered instruments: instruments not constituting state aid

- **GS - Group Solvency (1 template)** – information about subsidiaries' capital adequacy & capital requirements

- **CR - Credit and counterparty credit risk (12 templates)**
  1. *CR SA* - Credit & counterparty credit risks and free deliveries: Standardised approach to capital requirements (One for each exposure class and total figures)
  2. CR IRB - Credit & counterparty credit risks and free deliveries: IRB approach to capital requirements
     - *CR IRB 1* - Credit & counterparty credit risks and free deliveries: IRB approach to capital requirements
     - *CR IRB 2* - Credit & counterparty credit risks and free deliveries: IRB approach to capital requirements (breakdown by obligor grades/pools)
  3. CR GB Geographical breakdown
     - *CR GB 1* - Geographical breakdown of exposures by residence of the obligor (SA exposures)
     - *CR GB 2* - Geographical breakdown of exposures by residence of the obligor (IRB exposures)
     - *CR GB 3* - Breakdown of total own funds requirements for credit risk of relevant credit exposures by country
  4. CR EQU IRB - Credit risk : equity - IRB approaches to capital requirements
     - *CQ IRB 1* -Credit risk : equity - IRB approaches to capital requirements
     - *CQ IRB 2* - Credit risk : equity - IRB approaches to capital requirements, breakdown of total exposures under the PD/LGD approach by obligor grades
  5. *CR SETT* - Settlement/delivery risk

[1] Please note that the items in green only highlight the most common reports. Each institution has to evaluate as to which specific reports are applicable to the institution

[2] Refer to **Appendix A** for details about the capital ratio requirements

6. *CR SEC SA* - Credit risk: securitisations (standardised approach)
7. *CR SEC IRB* - Credit risk: securitisations (IRB approach)
8. *CR SEC Details* - Detailed information on securitisations

- OPR - Operational risk (2 templates)
    1. *OPR* - Operation risk (main)
    2. *OPR Details* - Operation risk: gross losses by business lines and event types in the last year

- MKR -Market risk (8 templates)
    1. *MK SA TDI* - Market risk: standardised approach for position risks in traded debt instruments (TDI)
    2. *MK SA SEC* - Market risk: standardised approach for specific risk in securitisation (SEC)
    3. *MK SA CTP* - Market risk: standardised approach for specific risk in the correlation trading portfolio (CTP)
    4. *MK SA EQU* -Market risk: standardised approach for position risk in equities (EQU)
    5. *MK SA FX* - Market risk: standardised approach for foreign exchange risk (FX)
    6. *MK SA COM* - Market risk: standardised approach for commodities (COM)
    7. *MK IM* - Market risk: internal models
    8. *CVA* – Credit Value Adjustment risk

- CR IP Losses - Exposures and losses from lending collateralised by immovable property

3.2 Category-2: Large exposure (LE)

- Large Exposures (6 templates)
    1. LE LIMITS - Large Exposure limits
    2. LE 1 – Identification of the counterparty
    3. LE 2 - Exposures in the non-trading and trading book
    4. LE 3 - Detail of the exposures to individual clients within groups of connected clients
    5. LE 4 - Maturity buckets of the exposures in the non-trading and trading book (top 10 institutions and unregulated financial entities)
    6. LE 5 - Maturity buckets of exposures to individual clients within groups of connected clients (top 10 institutions and unregulated financial entities)

3.3 Category-3: Leverage ratio (LR)[1]

- Leverage Ratio (7 templates)
    1. LRCalc - Leverage ratio calculation
    2. LR1 – Alternative treatment of the exposure measure
    3. LR2 - On- and Off-Balance Sheet items - Additional breakdown of exposures
    4. LR3 - Alternative definition of capital
    5. LR4 - Breakdown of leverage ratio exposure measure components
    6. LR5 - General information
    7. LR6 - Entities that are consolidated for accounting purposes but are not within the scope of prudential consolidation

[1] The PRA/FCA consultation papers suggest reporting this ratio based on a point-in-time calculation, as opposed to three monthly calculation averaged over the quarter

3.4 Category-4: Liquidity ratios (LCR/NSFR)

- Liquidity coverage reporting (3 templates)
  1. Part I – Liquid assets
     - Liquidity coverage – liquid assets
  2. Part II – Outflows
     - Liquidity coverage – outflows
  3. Part III – Inflows
     - Liquidity coverage – inflows
  4. Part IV – Collateral swaps
     - Liquidity coverage – collateral swaps

- Stable funding reporting (2 templates)
  1. Part V – Stable funding
     - Stable funding - Items requiring stable funding
     - Stable funding - Items providing stable funding

4 Proportionality

There are proportionality proposals based on the size and activities of the firms. Our current understanding of the proportional requirement is as follows:

Report category	Banks	Full scope investment firms	Limited license investment firm*	Limited activity investment firm*
Capital Adequacy & capital requirements	✓	✓	✓	✓
Large Exposures	✓	✓	×	×
Liquidity	✓	✓[1]	×	×
Leverage ratio	✓	✓	×	×

**For limited licence and limited activity investment firms, where the sum of the credit risk and market risk capital requirement is more than the fixed overhead based capital requirement, it has to complete the credit risk and market risk templates as well.*

[1] Only for significant firms and firms with balance sheet size equal to or greater than £50 million

5 Comparison between PRA/FCA and COREP returns

A one-to-one comparison of the PRA/FCA and COREP returns can only be done in terms of their primary coverage. They are very different in approach, content, methodology, granularity and coverage. Some of the key differences are:

1) The COREP returns require information at a more granular level than the PRA/FCA returns. Example: In reporting credit & counterparty risk, the exposure to government, institution, corporate & retail has to be reported separately (i.e., one form for each exposure dimension).
2) In some cases the basis of information required is also different. Example, the liquidity coverage report requires consolidated cash inflows and outflows over a one month period in comparison to FSA047, which is based on daily cash flows for a three month period.
3) A few additional ratios are calculated using the new returns. Example: CET1 Capital ratio
4) In some cases the reporting requirements have been enhanced. Example, in reporting large exposure, in addition to the exposure of 10% or more of eligible capital, any exposure that is more than EUR 300 million also has to be reported.

A comparison of the various COREP reports that are replacing the existing PRA/FCA reports and the new COREP reports are listed below-

COREP Report		PRA/FCA reports	
CA	Capital Adequacy	FSA003	Capital Adequacy
CR SA CR IRB	Credit Risk - Standardised approach Credit Risk - IRB approach	FSA004 FSA045	Credit Risk IRB Portfolio Risk
CR GB	Credit Risk – Geographical breakdown		
CR EQU IRB	Credit Risk – Equity IRB		
CR SETT	Settlement/Delivery Risk		
CR SEC	Credit Risk – Securitisations	FSA046 FSA058	Securitisation: Non-Trading Book Securitisation: Trading Book
	Information already included in other CA/CR/LE reports	FSA028	Non-EEA Sub Group
MKT SA MKT IM	Market Risk – Standardised Approach (6 templates) Market Risk – Internal Model	FSA005[1] FSA006	Market Risk Market Risk – Supplementary data
CVA	Credit Value Adjustment Risk		
OPR	Operational Risk	FSA007	Operational Risk
LE	Large Exposures (6 templates)	FSA008	Large Exposures
LCR NSFR	Liquidity Coverage Stable Funding		
LR	Leverage Ratio		

The PRA plans to retain the current liquidity reports FSA047 to FSA055, until harmonised liquidity policy is introduced under the CRR when the LCR comes into effect from 1 Jan 2015. The PRA also

[1] Data on Add-ons for Risk not in VaR is retained in the old PRA/FCA template

plans to retain some of the existing reports (FSA006 – Market Risk supplementary, FSA018 – UK integrated groups large exposure, FSA045 – IRB portfolio risk, as the COREP reports do not capture similar information. The FCA/PRA has recently published a Consultation Paper (CP5/13) with regards to this and we will get the final outcome after the consultation process is complete.

Institutions reporting on a solo or solo-consolidated basis will continue to report financial information using the existing FSA001 – Balance Sheet and FSA002 – Income statement reports, as FINREP requirements and templates are not applicable to these institutions.

Additional details about a few COREP reports are provided in **Appendix B.**

6 Timelines & reporting frequency

CRR regulations apply from 1 January 2014. The reporting requirements are summarised in the following table:-

Report	**Reporting frequency**	**Reporting reference dates**	**Submission/ remittance**	**First remittance relaxation ***
Capital Adequacy (CA) Credit Risk (CR) Market Risk (MKT) Operational Risk (OPR) Group Solvency (GS)	Quarterly	31 March, 30 June, 30 September 31 December	12 May 11 August 11 November 11 February	30 May 2014
Large Exposure (LE)				
Leverage Ratio[1]				
Net Stable Funding[2]				

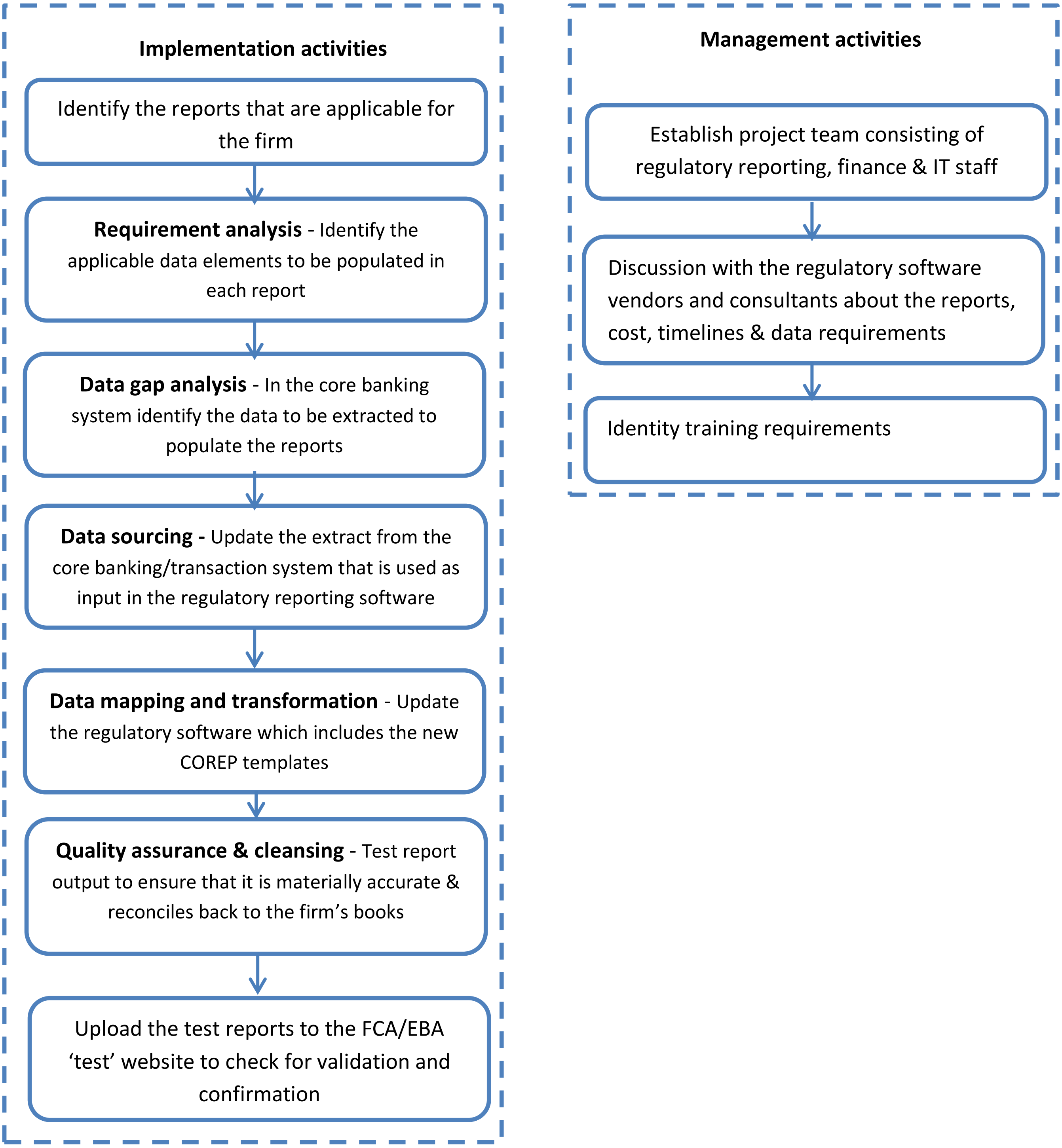
Liquidity Coverage[3]	Monthly	Last day of each month	within 15 calendar days	30 calendar days (until 31 Dec 2014)

** For the remittance date 31 March 2014, the quarterly reports need to be submitted only by 30th May 2014 for firms reporting on an individual basis and 30th June 2014 for firms reporting on a consolidated basis. For the monthly reports (LCR), for the period from 31 March 2014 to 31 December 2014, the remittance deadline is 30 calendar days after the reporting reference date.*

[1] Observation only – mandatory requirement only from 1 Jan 2018
[2] Observation only – mandatory requirement only from 1 Jan 2018
[3] Observation only – mandatory requirement only from 1 Jan 2015

7 Implementation approach

COREP will require a significant change in the way firms gather, process, aggregate and submit information to the regulators. A brief outline of the most significant activities is outlined below:



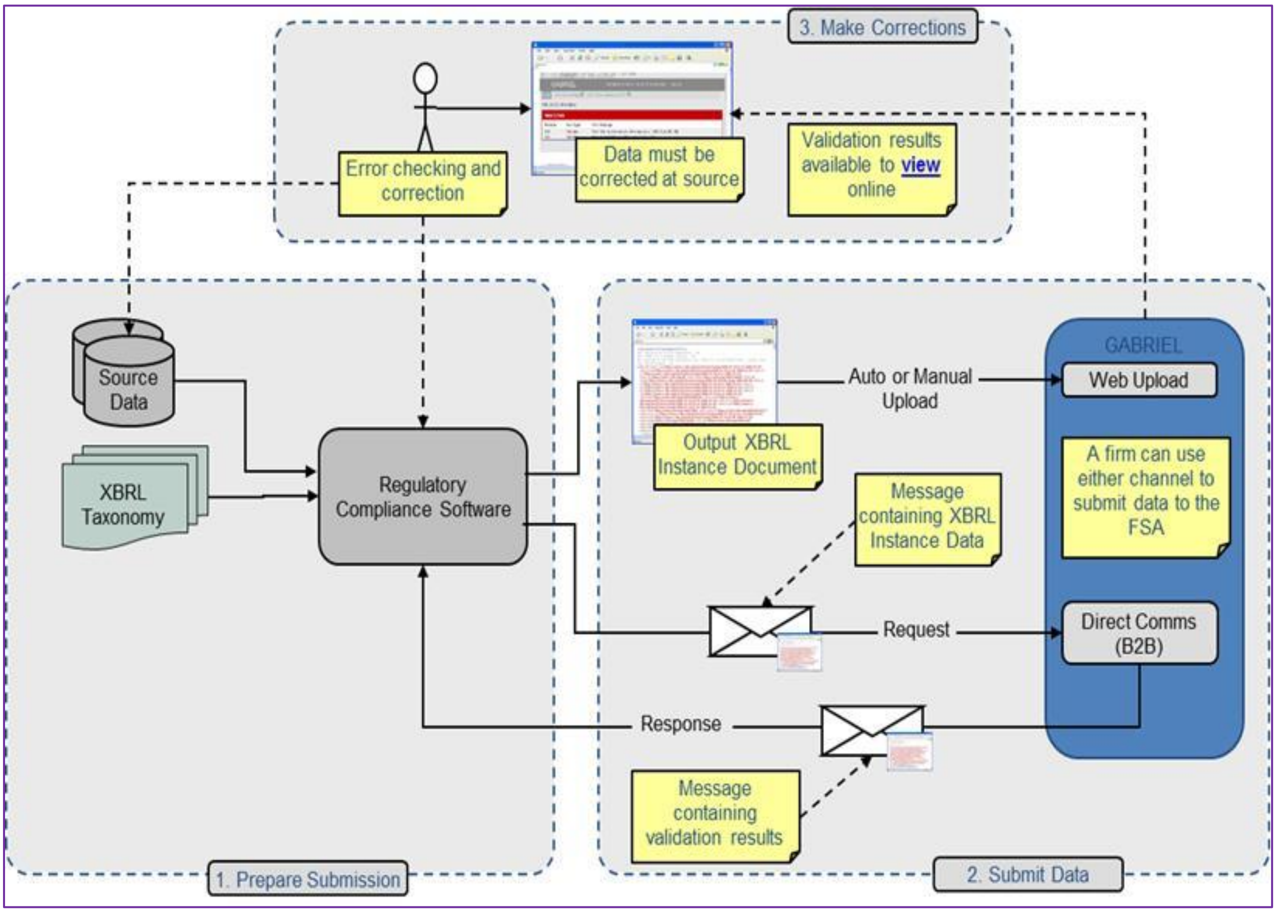
Please note that the term 'regulatory software' could mean a package provided by an external vendor or internally developed software or Microsoft EXCEL based solutions. In the case of third-party software, some of the implementation activities might be done by the Regulatory Software Vendors (RSVs).

In addition to the regulatory reporting changes, institutions should also review their internal management reporting (MIS) and ensure that the risk metrics and measures are in line with the new rules.

8 XBRL reporting

COREP returns have to be submitted in XBRL (eXtensible Business Reporting Language). XBRL is a member of the family of languages based on XML (eXtensible Markup Language), which is the international standard for the electronic exchange of data between businesses on the internet.

Currently, firms can directly enter and change information in GABRIEL, the FSA's online regulatory reporting system. However, with COREP this feature will not be available and firms will have to make changes or corrections at the source itself, i.e., in the bank's own internal regulatory software. Once the corrections are made, the XBRL files can be uploaded again to FSA's GABRIEL system. A schematic diagram of this 'prepare→ submit → correct→ submit' cycle is shown below.



©FSA: diagram from FSA's presentation (http://www.fsa.gov.uk/static/pubs/international/crd-iv-legislation-to-xbrl-process.pdf)

9 Implementation challenges

The key implementation challenges that a firm might face are:

1) Firms will have to maintain and extract additional data from their core banking/transaction systems to meet the granular level of information required to complete the COREP reports. This means that firms might have to change the way products, accounts or ledger information is setup, captured and classified in the core banking system.
2) The quality of the data reported is of paramount importance and reporting has to be materially accurate. As part of the new report development, the finance and regulatory reporting teams will face challenges in reconciling the new reports to the firms' internal reports. This might also trigger changes to the firms' internal management reports.
3) This will be a period when the regulatory software vendors will be supporting multiple firms with limited resources. There could be difficulties in getting responses or solutions from the vendors in a timely manner.
4) The new reports and regulatory approach is a significant change to the existing methodology. This might require additional training for the key staff involved in regulatory reporting.
5) The number of reports, and the granularity of the data in each one, has increased. Additional resources might be required to review them and ensure material accuracy.

10 Appendices

10.1 Appendix A: New capital requirement

The Basel III requirements[1] will be phased in through CRD-IV rules as outlined below:

	2014	**2015**	**2016**	**2017**	**2018**	**2019**
Minimum Common Equity Capital Ratio	**4.5%**	**4.5%**	**4.5%**	**4.5%**	**4.5%**	**4.5%**
Capital Conservation Buffer			0.625%	1.25%	1.875%	2.5%
Minimum Common Equity plus Capital Conservation Buffer	4.5%	4.5%	5.125%	5.75%	6.325%	7.0%
Minimum Tier 1 Capital	**6.0%**	**6.0%**	**6.0%**	**6.0%**	**6.0%**	**6.0%**
Minimum Total Capital	**8.0%**	**8.0%**	**8.0%**	**8.0%**	**8.0%**	**8.0%**
Minimum Total Capital plus Conservation Buffer	8.0%	8.0%	8.625%	9.25%	9.875%	10.5%

[1] Based on CRR for the minimum capital and the PRA guidance for the capital conservation buffer

10.2 Appendix B: Additional details about a few of the reports

Capital Adequacy (CA)

Capital adequacy is an elaborate framework that provides the detailed breakdown of an institution's own funds requirements; Pillar 1 capital requirements using various approaches; transitional provisions; capital ratios, and buffers. The report comprises of 5 interconnected templates, all of which are structured in a 'drill-down' manner with the total amount followed by the items that make up the total. Below is a brief description of each of the 5 capital adequacy templates:

1. **CA 1** - **Own funds** - details the own funds of an institution in three different types of capital. Own funds of an institution are the sum of Tier 1 and Tier 2 capitals. Tier 1 capital comprises the Common Equity Tier 1 capital and the Additional Tier 1 capital. The amount of own funds obtained includes the aggregate effect of transitional provisions per type of capital.

2. **CA 2 - Own funds requirements -** provides the information related to the different approaches for the assessment of Pillar 1 capital requirements for:
   - Credit risk (including counterparty, dilution and settlement risks)
   - Market risk (including position risk, foreign exchange and commodities risk)
   - Operational risk

3. **CA 3** - **Capital Ratios** - calculates the capital ratios based on the own funds requirements. All institutions must satisfy the following own funds requirements:-
   (a) A common equity tier 1 capital ratio of 4.5%
   (b) A Tier 1 capital ratio of 6%
   (c) A total capital ratio of 8%

4. **CA 4** - **Memorandum items** - lists the memorandum items needed for calculating items under CA 1, capital buffers and Pillar II requirements.

5. **CA 5** - **Transitional provisions** - calculates the effect of transitional provisions in own funds. For each type of capital the adjustments due to transitional provisions are reported under:-
   - Grandfathered instruments
   - Minority interests
   - Other adjustments

The key elements reported on each of the capital adequacy templates are listed below:

Template	Template Name	Key Elements	Additional Information	Linked to

CA 1	Own Funds	Tier 1 capital	▪ Common Equity Tier 1 items consist of the following:-
			  ▪ Capital instruments
			  ▪ Share premium accounts related to the capital instruments
			  ▪ Retained earnings
			  ▪ Accumulated other comprehensive income
			  ▪ Other reserves
			  ▪ Funds for general banking risk
			▪ Deductions from Common Equity Tier 1 items, among others, including losses for the current financial year, intangible assets, deferred tax assets that rely on future profitability.
			
			▪ Additional Tier 1 items consists of the following:-
			  ▪ Capital instruments
			  ▪ Share premium accounts related to the capital instrument
			  ▪ Deductions from Additional Tier 1 items.
				-

		Tier 2 capital	▪ Tier 2 items consist of the following:-
			  ▪ Capital instruments
			  ▪ Share premium accounts related to the instruments
			  ▪ Deductions from Tier 2 items
				-

CA 2	Own funds requirement	Total risk exposure amount	The total risk exposure amounts are calculated as the sum of:- ▪ Risk-weighted exposure amounts for credit risk and dilution risk ▪ Risk-weighted exposure amounts for counterparty risk Plus the sum of own funds requirements for :- ▪ Position risk and large exposures exceeding the set limits ▪ Foreign exchange risk, settlement risk, commodities risk ▪ Credit valuation adjustment risk of OTC derivatives ▪ Operational risk	Data is transferred from CR SA to CA 2
CA 3	Capital ratios		The following capital ratios are calculated as a percentage of the total risk exposure amount :- ▪ Common Equity Tier 1 capital ratio	-

Template	Template Name	Key Elements	Additional Information	Linked to
			▪ Tier 1 capital ratio ▪ Total capital ratio	

CA 4	Memorandum items		▪ Memorandum items required for calculating items on CA1:-
			    o Deferred tax assets and liabilities
			    o Credit risk adjustments and expected losses
			    o Thresholds for CET1 deductions
			    o Investments in the capital of financial sector entities
			    o Pillar II requirements
			▪ Capital buffers :-
			    o Conservation buffer
			    o Countercyclical buffer
			    o Systemic buffer
				-

CA 5	Transitional provisions		▪ Grandfathered instruments ▪ Unrealised gains and losses measured at fair value ▪ Other Adjustments	-

Credit Risk (CR)

The own funds requirements for credit risk are calculated depending on the approach used for arriving at their corresponding risk-weighted exposure amounts. The templates for the credit risk reports are as follows:-

1. **CR SA – Credit risk using the Standardised approach**
2. CR IRB – Credit risk using the Internal Ratings Based approach
3. CR EQU IRB – Credit risk Equity IRB approach
4. CR GB – Credit risk Geographical breakdown (CR GB1 - SA, CR GB2 – IRB and GB3)
5. CA SEC – Credit risk securitisations (CR SEC SA, CR SEC IRB and CR SEC details)
6. **CR SETT – Credit risk Settlement / Delivery risk**

<u>CR SA – Credit and counterparty credit risks and free deliveries: Standardised Approach to Capital Requirements</u>

The CR SA template calculates the own funds requirements for credit risk according to the Standardised Approach. It provides detailed information on:-

- The distribution of exposure values reported by:
    - a) Exposure class
    - b) Exposure type
        - On-balance sheet exposures subject to credit risk
        - Off-balance sheet exposures subject to credit risk
        - Securities Financing Transactions
        - Derivatives and Long Settlement Transactions
        - Contractual Cross Product Netting
    - c) Risk weight
- The amount and type of credit risk mitigation techniques used for mitigating the risk.

With the exception of:-

- Exposures assigned to exposure class 'Securitisation position ' and
- Exposures deducted from own funds

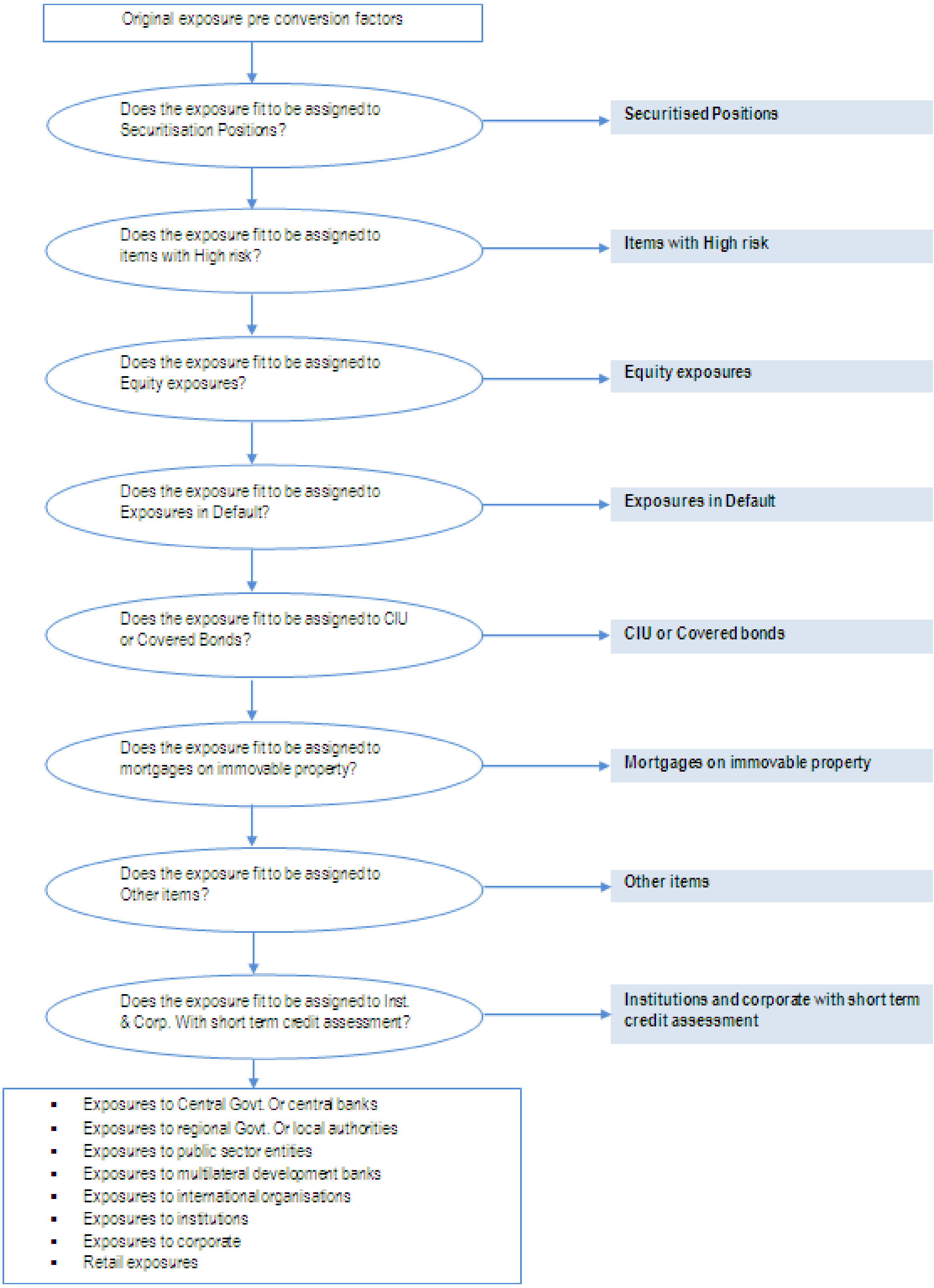
Exposure Classes

In order to calculate the own funds requirements for credit risk, each exposure is assigned to one of the 16 exposure classes listed below:

1) claims or contingent claims on central governments or central banks;
2) claims or contingent claims on regional governments or local authorities;
3) claims or contingent claims on public sector entities;
4) claims or contingent claims on multilateral development banks;
5) claims or contingent claims on international organisations;
6) claims or contingent claims on institutions;
7) claims or contingent claims on corporates;
8) retail claims or contingent retail claims;
9) claims or contingent claims secured by mortgages on immovable property;
10) exposures in default;
11) claims in the form of covered bonds;
12) securitisation positions;
13) claims on institutions and corporates with a short-term credit assessment;
14) claims in the form of units or shares in collective investment undertakings ('CIUs');
15) equity claims;
16) Other items.

Categorisation of exposures into different exposure classes

Step 1: Original exposure pre-conversion factors are classified into one of the exposure classes listed above following an assessment as per the decision tree shown below:



Step 2: exposures are likely to be redistributed to other exposure classes due to the application of credit risk mitigation techniques with substitution effect on the exposures.

CR SA	**Scope**	▪ Credit risk in banking book ▪ Counterparty credit risk ▪ Settlement risk arising from Free Deliveries
	Relevant Structure	▪ The templates in CR SA are:- o CR SA Totals Template o CR SA Template [by each exposure dimension] ▪ Each exposure reported on the CR SA template [by exposure dimension] is further split by :- o Exposure type o Risk weights ▪ For each Exposure item, the report shows the original exposure and the various credit risk mitigation techniques, substitution effects, credit conversion factors that are applied on the original exposure amount to arrive at the risk-weighted exposure value. ▪ Memorandum Items: The templates also list the exposure due to :- o Commercial immovable property o Mortgages on immovable property
	Linkage	▪ Capital Adequacy [CA 2] – Own funds requirements

CR GB – Geographical breakdown

The Geographical Breakdown (GB) template provides information about the institutions' exposure to each country and further split by exposure class. This has to be reported only if the non-domestic exposure is more than 10% of the total exposure. There are three sections, two of the relevant sections for firms using the SA approach are given below:-

CR GB	**Scope**	For each country, geographical breakdown by exposure class. Main information captured is:- • Original exposure • Risk Weighted exposure
	Relevant Structure	The template is split between ▪ CR GB 1 – SA Exposures ▪ CR GB2 – IRB Exposures ▪ CR GB 3 – Own funds requirements for credit risk for the given country
	Linkage	▪ None (though the sum of the CR GB exposures should match the exposures under CR CR)

CR SETT – Settlement / Delivery Risk

The Settlement / Delivery risk template provides information on both trading and non-trading book transactions which are unsettled after their due delivery date, and their own funds requirements for settlement risk. In such cases, institutions calculate the price difference to which they are exposed. The price difference is calculated as the difference between the agreed settlement price of the transaction and its current market value, where the difference could involve a loss for the institutions. This difference is then multiplied by the value obtained from the below table to calculate the institutions' own funds requirements for settlement/delivery risk.

No. Of working days after due settlement date	(%)
5 – 15	8
16 – 30	50
31 – 45	75
46 or more	100

CR SETT	**Scope**	The items reported here are:- • Debt instruments • Equities • foreign currencies and • Commodities *[Excluding repurchase transactions and securities or commodities lending and securities or commodities borrowing]*
	Relevant Structure	The template is split between ▪ Trading book ▪ Non – trading book It calculates the Settlement risk depending on the no. of days the transactions have remained unsettled after the due delivery date.
	Linkage	▪ Capital Adequacy [CA 2]

Operational Risk (OPR)

The template provides information on the calculation of own funds requirements for Operational risk under the following approaches:

- Basic Indicator Approach (BIA)
- The Standardised Approach (TSA)
- Alternative Standardised Approach (ASA)
- Advanced Measurement Approach (AMA)

Own funds requirements for Operational risk are calculated based on the information at financial year end. When audited figures are not available, institutions may use the business estimates. Under the BIA approach, the own funds requirement for operational risk is equal to 15% of the average over three years of the relevant indicators [listed in the below table].

CR OPR	**Scope**	The relevant indicators used to calculate the Operational risk under the BIA approach are as follows:- ▪ Interest receivable and similar income ▪ Interest payable and similar charges ▪ Income from shares and other ▪ variable/fixed-yield securities

		▪ Commissions/fees receivable ▪ Commissions/fees payable ▪ Net profit or net loss on financial operations ▪ Other operating income
	Relevant Structure	Under the BIA approach, the report lists the total of the relevant indicators for the past 3 financial years and calculates the operational risk for own funds requirements.
	Linkage	▪ Capital Adequacy [CA 2]- Own funds requriements

Market Risk (MKR)

The following are all the templates that report market risk:

1. MKR SA TDI – Standardised approach for position risk in traded debt instruments
2. MKR SA SEC – Standardised approach for specific risk in Securitisations
3. MKR SA CTP – Standardised approach for specific risk in the correlation trading portfolio
4. MKR SA EQU – Standardised approach for position risk in equities
5. **MKR SA FX – Standardised approach for foreign exchange risk**
6. MKR SA COM – Standardised approach for commodities
7. MKR IM – Market risk internal models

MKR SA FX – Standardised approach for foreign exchange risk

This template provides information on the positions in each currency and the corresponding own funds requirements for foreign exchange under the Standardised approach. It calculates the net open FX risk position in each currency and in gold.

Institutions shall calculate own funds requirements for foreign exchange risk if the sum of its overall net FX positions and its net gold positions exceeds 2% of its total own funds. The own funds requirement for foreign exchange risk is the sum of its overall net foreign exchange position and its net gold position in the reporting currency, multiplied by 8 %.

MKR SA FX	**Scope**	▪ All asset items
	Relevant Structure	The report calculates the net long and short positions of all currencies and gold and then arrives at the own funds requirements for foreign exchange risk. The template has 3 sections:- ▪ Positions in non-reporting currency ▪ Positions by exposure type o Primary financial instruments o Off-balance sheet items o Derivatives ▪ Memorandum items : Currency
	Linkage	▪ Capital Adequacy [CA 2] – Own funds requirements

Large Exposures (LE)

The Large Exposures template identifies clients or group of connected clients to which an institution has a large exposure and shows the effect of credit risk mitigation on their respective exposure values. The template is split into 5 sections as described below:

- LE limits
- LE 1 – identification of counterparty
- LE 2 - large exposures in the non-trading and trading book
- LE 3 – detail of the exposures to individual entities within groups
- LE 4 - maturity buckets of the exposures in the non-trading and trading book (top 10)
- LE 5 - maturity buckets of exposures to individual clients within groups of connected clients (top 10)

An institution's exposure to a client or group of connected clients shall be considered a large exposure where its value is equal to or exceeds 10 % of its eligible capital, after deducting value adjustment and provisions, and the amount of exposure deducted from own funds.

Large Exposure	**Scope**		All assets and off – balance sheet items of an institution (a private or public undertaking including its branches and has been authorized in a third country) except investment firms with limited authorization to provide investment services.
	Structure	**LE Limits**	LE Limits – This section provides an overview of an institution's exposure to non-institutions and institutions. • Non-institutions - The sum of exposure values after taking into account the effect of credit risk mitigation to all connected clients that are not institutions should not exceed 25% of the institution's eligible capital. • Institutions (client being an institution or group of connected clients including one or more institutions)– The exposure after taking into account the effect of credit risk mitigation should not exceed 25% of the institution's eligible capital or EUR 150million, whichever is higher. • Institutions in % - the absolute LE limit of the institution expressed as a percentage of the eligible capital.
		LE 1 – counterparty identification	This section captures the basic information for each counterparty like:- • Counterparty name and code • Residence (country) • Legal entity identification (LEI) • Type of counterparty, sector code

		LE 2 – large exposures in the non-trading and trading book	This section provides information on individual clients and a group of connected clients wherein a group of connected clients is considered as one exposure. The data is represented in 4 blocks as shown below:- • Counterparty identification • Counterparty characteristics • Original exposures • Eligible credit risk mitigation (CRM) techniques
		LE 3 – Details of the exposures to individual entities within groups	This section provides information on individual counterparties belonging to the group included in LE2 template, i.e., An individual exposure included in LE 2 (an exposure against an institution not connected to a group of connected clients) shall not be included again in LE 3. This part of the template is structured similar to LE 2.
		LE 4 - Maturity buckets of the exposures in the non-trading and trading book	This section captures information about the top 10 exposures to institutions and the 10 largest exposures to unregulated financial entities. The exposure reported should be the value before applying any credit mitigation.
		LE 5 - Maturity buckets of exposures to individual clients within groups of connected clients	Very similar to LE 4 and captures information of the top 10 exposures to individual clients within a group.
	Linkage		None

10.3 Appendix C – References

No	Title	Online link
1	**BCBS Basel III** framework	http://www.bis.org/bcbs/basel3.htm
2	**CRR IV -** REGULATION (EU) No 575/2013 of the European parliament and of the council	http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:176:0001:0337:EN:PDF
3	**CRD IV -** DIRECTIVE 2013/36/EU of the European parliament and of the council	http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:176:0338:0436:EN:PDF
4	**EBA Implementing Technical Standard (ITS)** – Final draft on Supervisory Reporting (Data Point Model)	http://www.eba.europa.eu/regulation-and-policy/supervisory-reporting/implementing-technical-standard-on-supervisory-reporting-data-point-model-/-/regulatory-activity/consultation-paper
5	**CP 5/13 - Prudential Regulatory Authority (PRA)** - Strengthening capital standards: implementing CRD IV	http://www.bankofengland.co.uk/pra/Documents/publications/policy/2013/implementingcrdivcp513.pdf
6	**CP 13/6 – Financial Conduct Authority (FCA)** – CRD IV for Investment Firms	http://www.fca.org.uk/static/documents/consultation-papers/cp13-06.pdf
7	EBA CRD IV regulatory proposal	http://ec.europa.eu/internal_market/bank/regcapital/new_proposals_en.htm http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0452:FIN:en:PDF
8	EBA CP 50 – the main reporting technical standards consultation paper	http://eba.europa.eu/Publications/Consultation-Papers/All-consultations/Archive/CP41-CP50/CP50.aspx
9	EBA CP 51 – large exposures technical standards consultation paper	http://eba.europa.eu/Publications/Consultation-Papers/All-consultations/2012/CP51.aspx
10	EBA CP 2012/06 – leverage ratio technical standards consultation paper	http://eba.europa.eu/Publications/Consultation-Papers/All-consultations/2012/EBA-CP-2012-06.aspx
11	EBA CP 2012/05 – liquidity coverage and stable funding technical standards consultation paper	http://eba.europa.eu/Publications/Consultation-Papers/All-consultations/2012/EBA-CP-2012-05.aspx
12	FSA presentation about CRD IV	http://www.fsa.gov.uk/static/pubs/international/crd-iv-legislation-to-xbrl-process.pdf

11 Katalysys contact information

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