

This document forms part of the Prudential Regulation Authority Consultation Paper 45/15, December 2015 available at

<http://www.bankofengland.co.uk/pru/Pages/publications/cp/2015/cp4515.aspx>.

In this document, new text is underlined and deleted text is struck through.

FSA077 Pillar 2 Credit risk standardised approach retail

Firms should complete this data item for all retail portfolios for which capital requirements are calculated using the standardised approach for credit risk, based on ad hoc request by supervisors, asset out in Section 1(2) of the statement of policy on Pillar 2. The PRA expects to ask firms to submit these data where it is likely that the standardised approach for credit risk underestimates the risk. Firms that are likely to be subject to this expectation include, but are not limited to, those with significant exposures to sovereigns, high LTV mortgages, credit cards and commercial real estate.

The amounts reported should be the regulatory inputs used in the capital calculations.

The amounts reported should be provided for both performing and defaulted banking book assets.

General information

Firm should complete the following mandatory fields:

- the basis of their reporting – UK consolidated, solo consolidation, UK consolidation group or capital sub-group;
- the submission number – firms should enter ‘1’ and increase this number by ‘1’ in case of resubmission;
- the unique ‘firm reference number’ (FRN);
- the name of the firm;
- the reporting period start and end dates – these dates should coincide with the ICAAP assessment period. In particular, the reporting end date is the balance sheet end date used for purposes of the ICAAP assessment; and
- the reporting currency – firms should report in the currency of their ICAAP i.e. Pounds Sterling (GBP), US Dollars (USD), Euros (EUR), Canadian Dollars (CAD), Swiss Francs (CHF), Japanese Yen (JPY) or Swedish Krona (SEK).

~~Reference date~~

~~The reference date should coincide with the ICAAP reference date.~~

~~Currency~~

~~Firms should report in the currency of their ICAAP, ie Sterling, Euro, US dollars, Canadian dollars, Swedish kroner, Swiss francs or Yen. This currency should be used consistently throughout the submission.~~

Units

All amounts should be reported in ~~millions~~ absolute values rounded to the nearest whole number in reporting currency, except that the average LTV data should be reported as EAD weighted percentages.

Where values correspond to percentages, these should be entered as decimal numbers up to 2 decimal places. For example, '70.00%'.

Definitions

All definitions are in line with ITS on Supervisory Reporting, and CRD IV⁶, unless otherwise specified.

Segmentation

The amounts reported should be split along specific dimensions within each portfolio. The first three columns define the required segmentation. Where this is not possible, please contact the PRA.

If modifications to the required segmentation are made, these should be highlighted consistently throughout the submission, as well as in the covering note to the PRA.

All amounts should be reported as a positive number, in particular where data points are greater than or equal to zero, eg EAD and RWAs.

Primary segment

SME lending should be treated as retail where this is consistent with the firm's calculation of capital requirements and in line with CRD IV.

Exposures under CRR Article 112(i) "exposures secured by mortgages on immovable property" should be reported in this data item only if they are retail exposures. Exposures under CRR Article 112(j), exposures in default are captured in the separate columns for "banking book defaulted assets" rather than in a line.

Banking book non-defaulted/defaulted assets

Assets other than trading book assets.

Defaulted has the same meaning as in CRR Articles 127 and 178.

Defaulted exposures are those that satisfy either or both of the following criteria:

- a) material exposures which are more than 90 days past due; and
- b) the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral regardless of the existence of any past due amount or the number of days past due.

⁶ Capital Requirements Directive (2013/36/EU and Capital Requirements Regulation (575/2013), collectively 'CRD IV'.

Average LTV

EAD weighted indexed LTV percentages. The property valuation should follow the valuation rules set out for the calculation of regulatory capital under the CRR.

Drawn amount

Amount of a loan drawn by a borrower on a specified date. Balances should be reconcilable to the statutory accounts and regulatory returns; for retail, loan balances should be entered net of write-offs and gross of provisions. Balances should be gross of any offset balances, ie the actual outstanding principal amount owed.

Limit

Maximum amount that can be drawn by a borrower on a specified date. Limits should be reported to reflect redraw and/or further credit line facilities. If there is no pre-agreed facility, the limit is the drawn balance.

EAD

“Exposure at default” as defined by COREP. Exposures are reported after incorporating value adjustments, credit risk mitigation and credit conversion factors.

RWA

Risk weighted exposure amounts for credit and dilution risk and free deliveries as per CRR Article 92(3)(a).

Comments

Comment boxes are limited to 255 characters. Any additional information should be sent to the PRA via electronic means.