

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.

FSA082 Pillar 2 credit risk IRB retail

Firms should complete this data item for all retail portfolios for which capital requirements are calculated using an IRB approach for credit risk (ie retail IRB, advanced IRB, foundation IRB or slotting).

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).

Definitions

All definitions are in line with ITS on Supervisory Reporting, and CRD IV,⁹ unless otherwise specified.

Reference date

~~The reference date should be the most recent of the firm’s annual or semi-annual financial statements.~~

⁹ Capital Requirements Directive (2013/36/EU and Capital Requirements Regulation (575/2013), collectively ‘CRD IV’.

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 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%'.~~

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.

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 a covering note to the PRA.

Primary segment

Small and medium enterprise (SME) lending should be treated as retail where this is consistent with the firm's calculation of capital requirements and in line with the CRR.

Exposures under CRR Article 112(i) of EU CRR, "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.

Average LTV

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

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 offsets, 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 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).

The RWAs should reconcile to the Pillar 1 requirement reported, including PD/loss given default (LGD) regulatory floors but excluding the Basel 1 floors.

EL

Expected losses as defined in CRR Articles 158 and 159. This is the amount expected to be lost on an exposure from a potential default of a counterparty or dilution over a one year period. For securitised assets, it is the actual principal write-down suffered by the instrument, net of any impairment already taken through the profit and loss account for counterparty credit risk (refer to CRR Article 272(1) the projected losses including those which arise from default and (ie loss given default) from CVA (ie fair value losses and gains arising from changes in the credit worthiness of a firm's counterparties as per CRR Article 381).

Comments

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