Bank of England

Prudential Regulation Authority

Counterparty credit risk disclosure tables and templates: Instructions

This annex includes the instructions that institutions shall apply when disclosing the information regarding their exposure to counterparty credit risk as referred to in Chapter 6 of Title II of Part Three CRR disclosure table and templates as presented in Annex XXV of PRA Rulebook, Disclosure (CRR) Part in accordance with Article 439 CRR. For the purposes of this Annex, references to the CRR should be interpreted to include a reference to the relevant CRR rule, where appropriate. References to the PRA Rulebook should be interpreted to include a reference to the relevant PRA Rulebook rule, where appropriate.

Template UKB CCR1 - Analysis of CCR exposures by approach: Fixed format

1. Institutions shall apply the instructions provided below in this Annex to complete template UK CCR1 as presented in Annex XXV of PRA Rulebook, Disclosure (CRR) Part, in application of points (f), (g), and (k) of Article 439 CRR.

2. This template excludes own funds requirements for CVA risk (CVA Risk Part of the PRA Rulebook) and exposures to a central counterparty (Own Funds Requirements for Exposures to a Central Counterparty Part of the PRA Rulebook) as defined for the purpose of template UK CCR8. For securities financing transactions, it includes the exposure values before and after the effect of credit risk mitigation as determined under the methods set out in Chapters 4 and 6 of Title II of Part Three CRR, whichever method is used, in accordance with Article 439 (g) of the Disclosure (CRR) Part of the PRA Rulebook, and the associated risk exposure amounts broken down by applicable method.

3. Institutions using the Original Exposure Method (OEM) and Standardised Method set out in the Counterparty Credit Risk (CCR) Part of the PRA Rulebook shall indicate, in the narrative accompanying the template, the size of their on- and off-balance-sheet derivative business as calculated in accordance with Article 273a(1) or (2) of the Counterparty Credit Risk (CCR) Part of the PRA Rulebook, as applicable, in application of point (m) of Article 439 of the Disclosure Part of the PRA Rulebook.

Legal references and instructions	
Row number	**Explanation**
UK1	*Original Exposure Method (for derivatives)* Derivatives and long settlement transactions for which the institutions have chosen to calculate the exposure value as alpha*(RC+PFE) with α=1.4, RC and PFE computed in accordance with Article 282 of the CCR Part of the PRA Rulebook. This simplified method for calculating the exposure value of derivative positions can only be used by institutions meeting the conditions laid down in Article 273a (2) or (4) of the CCR Part of the PRA Rulebook.
UK2	*Simplified Standardised Approach for CCR (Simplified SA-CCR for derivatives)* Derivatives and long settlement transactions for which the institutions have chosen to calculate the exposure value as alpha*(RC+PFE) with α, RC and PFE computed in accordance with Article 281 of the CCR Part of the PRA Rulebook. This simplified standardised approach for calculating the exposure value of derivative positions can only be used by institutions meeting the conditions laid down in Article 273a (1) or (4) of the CCR Part of the PRA Rulebook.

UK2a	Of which: All counterparties (excl. Non-Financial Counterparties (NFCs) & pension scheme arrangements) Derivatives and long settlement transactions for which institutions (except NFCs and pension scheme arrangements) calculates the exposure value in accordance in accordance with Article 281 of the CCR Part of the PRA Rulebook. This simplified standardised approach for calculating the exposure value can only be used by institutions meeting the conditions laid down in Article 273a(1) or 273a(4) of the CCR Part of the PRA Rulebook.
UK2b	Of which: NFCs and pension scheme arrangements Derivatives and long settlement transactions for which NFCs and pension scheme arrangements calculates the exposure value in accordance with Article 281 of the CCR Part of the PRA Rulebook. This simplified standardised approach for calculating the exposure value can only be used by institutions meeting the conditions laid down in Article 273a(1) or 273a(4) of the CCR Part of the PRA Rulebook.
1	*Standardised Approach for CCR (SA-CCR for derivatives)* Derivatives and long settlement transactions for which the institutions have chosen to calculate the exposure value as alpha*(RC+PFE) with α, RC and PFE computed in accordance with Article 274 of the CCR Part of the PRA Rulebook.
1a	Of which: All counterparties (excl. NFCs & pension scheme arrangements) Derivatives and long settlement transactions for which institution (excluding NFCs and pension scheme arrangements) calculates the exposure value in accordance with Article 274 of the CCR Part of the PRA Rulebook.
1b	Of which: NFCs & pension scheme arrangements Derivatives and long settlement transactions for NFCs and pension scheme arrangements calculates the exposure value in accordance with Article 274 of the CCR Part of the PRA Rulebook.
2	*IMM (for derivatives and SFTs)* Derivatives and long settlement transactions and SFTs for which institutions have been permitted to calculate the exposure value using the Internal Model Method (IMM) in accordance with Section 6 of Chapter 6 of Title II of Part Three CRR.
2a	*Of which securities financing transactions netting sets* Netting sets containing only SFTs, as defined in point (139) of Article 4(1) CRR, for which institutions have been permitted to determine the exposure value using the IMM.
2b	*Of which derivatives and long settlement transactions netting sets* Netting sets containing only derivative instruments listed in Annex II CRR and long settlement transactions as defined in point (2) of Article 272 CRR, for which institutions have been permitted to determine the exposure value using the IMM.
2c	*Of which from contractual cross-product netting sets* Netting sets containing transactions of different product categories (point (11) of Article 272 CRR), i.e. derivatives and SFTs, for which a contractual cross product

	netting agreement as defined in point (25) of Article 272 CRR exists and for which institutions have been permitted to determine the exposure value using the IMM.
3-4	*Financial collateral simple method (for SFTs)* and *Financial collateral comprehensive method (for SFTs)* Repurchase transactions, securities or commodities lending or borrowing transactions and margin lending transactions for which institutions have chosen to determine the exposure value in accordance with Articles 222 and 223 of Chapter 4 of Title II of Part Three CRR, as opposed to Article 271 (2) of Chapter 6 of Title II of Part Three CRR.
5	*VaR for SFTs* Repurchase transactions, securities or commodities lending or borrowing transactions, margin lending transactions, or other capital market-driven transactions other than derivative transactions for which (in accordance with Article 221 CRR) the exposure value is calculated using an internal model approach (IMA) that takes into account correlation effects between security positions subject to the master netting agreement, as well as the liquidity of the instruments concerned.
6	*Total*
Column letter	**Explanation**
a-b	*Replacement cost (RC) and Potential future exposure (PFE)* RC and PFE shall be computed: -in accordance with Article 282 (3) and (4) of the CCR Part of the PRA Rulebook for the Original Exposure Method (row UK1), - in accordance with Article 281 of the CCR Part of the PRA Rulebook for the Simplified SA-CCR (row UK2 [a & b]), -in accordance with Articles 275 and 278 of the CCR Part of the PRA Rulebook for the SA-CCR (row 1 [a & b]). The institutions shall disclose the sum of the replacement costs for all netting sets in the corresponding rows.
c	*Effective expected positive exposure (EEPE)* The EEPE per netting set is defined in point (22) of Article 272 CRR and shall be calculated in accordance with Article 284 (6) CRR. The EEPE to be disclosed here is the one applied for the determination of own funds requirements in accordance with Article 284 (3) CRR, i.e. either the EEPE calculated using current market data, or the EEPE calculated using a stress calibration, whichever leads to a higher own funds requirement. Institutions should specify in the narrative accompanying this template which EEPE has been inserted.
d	*Alpha used for computing regulatory exposure value* The value of α is fixed as 1.4 in row UK1 in accordance with Article 282 (2) of the CCR Part of the PRA Rulebook. For all counterparties (except pension scheme arrangements and NFCs), the value of α is fixed as 1.4 in rows UK2 [a & b] and 1 [a & b] in accordance with Articles 281(1) and 274(2) of the CCR Part of the PRA Rulebook. For pension scheme arrangements and NFCs, the value of α is fixed as 1 in rows UK2 [a & b] and 1 [a & b] in accordance with Articles 281(1) and 274(2) of the CCR Part of the PRA Rulebook. For IMM purposes, the value of α can either be the default of 1.4 or different when competent authorities require a higher α in accordance with Article 284 (4) CRR or permit institutions to use their own estimates in accordance with Article 284 (9) of Section 6 of Chapter 6 of Title II of Part Three CRR.

e	*Capital add-on for legacy trades* Pension scheme arrangements and NFC firms may adopt an alpha multiplier equal to 1 on both legacy transactions and new transactions. Firms would however be required to hold additional capital in Pillar 1 equal to the day 1 capital benefit from the reduction of the alpha factor for legacy trades. This add-on would be reduced linearly over five years, or until all trades with counterparties where alpha is set to one are voluntarily incorporated into the CVA RWAs calculation, in accordance with Article 274 (2.a) of the CCR Part of the PRA Rulebook.
f	*Exposure value pre-CRM* The exposure value pre-CRM for CCR business shall be calculated in accordance with the methods laid down in Chapters 4 and 6 of Title II of Part Three CRR taking into account the effect of netting, but disregarding any other credit risk mitigation techniques (e.g. through margin collateral) In the case of SFTs the security leg shall not be considered in the determination of the exposure value pre-CRM when collateral is received and therefore shall not decrease the exposure value. On the contrary, the SFTs security leg shall be considered in the determination of the exposure value pre-CRM in the regular way when collateral is posted. Furthermore, collateralised business shall be handled as uncollateralised, i.e. no margining effects apply. For transactions where specific wrong way risk has been identified, the exposure value pre-CRM must be determined in accordance with Article 291 CRR. The exposure value pre-CRM shall not consider the deduction of the incurred CVA loss in accordance with Article 273 (6) of the CCR Part of the PRA Rulebook. The institution shall disclose the sum of all exposure values pre-CRM in the respective row.
g	*Exposure value (post-CRM)* The exposure value post-CRM for CCR business shall be calculated in accordance with the methods laid down in Chapters 4 and 6 of Title II of Part Three CRR, having applied CRM techniques as applicable in accordance with Chapters 4 and 6 of Title II of Part Three CRR. For transactions where specific wrong way risk has been identified, he exposure value must be determined in accordance with Article 291 CRR. The exposure value post-CRM shall not consider the deduction of the incurred CVA loss in accordance with Article 273 (6) of the CCR Part of the PRA Rulebook. The institution shall disclose the sum of all exposure values post-CRM in the respective row.
h	*Exposure value* *Exposure value for CCR business calculated in accordance with the methods laid down in Chapters 4 and 6 of Title II of Part Three CRR, which is the relevant amount for the own funds requirement calculation, i.e. having applied CRM techniques as applicable in accordance with Chapters 4 and 6 of Title II of Part Three CRR and considering the deduction of the incurred CVA loss in accordance with Article 273 (6)* of the CCR part of the PRA Rulebook. *The exposure value for transactions where specific wrong way risk has been identified must be determined in accordance with Article 291 CRR.* *For cases in which more than one CCR approach is used for a single counterparty, the incurred CVA loss, which is deducted at counterparty level, shall be assigned to the exposure value of the different netting sets in each CCR approach reflecting the proportion of the exposure value post-CRM of the respective netting sets to the total exposure value post-CRM of the counterparty.* *The institution shall disclose the sum of all exposure values post-CRM in the respective row.*

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i	*RWEA* *Risk weighted exposure amounts as defined in Article 92 (3) and (4) CRR calculated in accordance with Article 107 CRR, for elements whose risk weights are estimated on the basis of the requirements in Chapters 2 and 3 of Title II of Part Three CRR and for which the exposure value for CCR business is calculated in accordance with Chapters 4 and 6 of Title II of Part Three CRR.*