

Bank of England PRA

Draft amendments to FSA076 instructions

In this Annex new text is underlined and deleted text is struck through.

FSA076 Pillar 2 Credit risk standardised approach ~~wholesale~~

All firms should complete this data item ~~for all wholesale portfolios for which capital requirements are calculated using~~ where they have relevant exposures assigned a risk weight in accordance with the standardised approach for credit risk. Relevant exposures are the exposures as set out in 2.7 and 2.7A of the Reporting Pillar 2 Part.

The amounts reported should be the regulatory inputs used for the purpose of calculating capital requirements.

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

General information

Firm with relevant exposures should complete the following mandatory fields:

- the basis of their reporting – UK consolidated, solo consolidation, UK consolidation group, prudential sub-consolidation, 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).

Units

All amounts should be reported in absolute values rounded to the nearest whole number in reporting currency, unless otherwise specified.

Definitions

All definitions are in line with ~~this supervisory statement ITS on Supervisory Reporting, and CRD IV,~~⁴ the PRA Rulebook, unless otherwise specified.

⁴Capital Requirements Directive (2013/36/EU) and Capital Requirements Regulation (575/2013), collectively ‘CRD IV’.

Segmentation

The amounts reported should be split along specific dimensions within each portfolio; the first two 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.

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

Regional government, local authorities and other counterparties under CRR Articles 112(b) to (e) should be treated as an exposure to a sovereign or institution based on the mapping approach provided in mapping for Pillar 2 credit risk data items Appendix 2.

Where the mapping is not possible, firms should use the line "other wholesale portfolios".

Exposures under CRR Article 112(i), "exposures secured by mortgages on immovable property" should be reported as CRE, unless they are treated as retail mortgage lending. 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.

Non-retail "Residential Real Estate" should be reported in the CRE lines.

Small 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.

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/or
- 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 of the number of days past due.

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. 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.~~

RWAs

~~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.

Draft for consultation

Central governments, central banks, regional governments and local authorities table

<u>Row</u>	<u>Instructions</u>
<u>200 - 320</u>	<p><u>Exposures shall be reported on the basis of the credit quality step (CQS) (or the Minimum Export Insurance Premium (MEIP) where a credit assessment by an Export Credit Agency is used) that would be assigned in accordance with the Credit Risk: Standardised Approach (CRR) Part to determine the risk weight treatment if CRR Articles 114(7) and 115(4) were disapplied.</u></p> <p><u>This includes using credit assessments in accordance with Article 138 and Article 139 of the Credit Risk: Standardised Approach (CRR) Part, and mapping credit assessments to CQS in accordance with Article 136A of the Credit Risk: Standardised Approach (CRR) Part.</u></p> <p><u>For the avoidance of doubt, exposures to regional governments or local authorities shall always be reported as exposures to regional government or local authorities (in rows 260 to 320) for the purpose of this reporting (irrespective of whether they are treated as an exposure to the central government in accordance with Article 115(4) of the CRR and reported as such in COREP).</u></p> <p><u>Exposures to central governments or central banks and exposures to regional governments or local authorities shall also include, as applicable the exposures or parts of exposures specified in 2.7A of the Reporting Pillar 2 Part.</u></p> <p><u>The amounts reported should be provided for performing (non-defaulted) banking book assets.</u></p>
<u>200</u>	<u>Central government and central bank exposures to counterparties assigned CQS2 (or MEIP2) which are funded and denominated in domestic currency, excluding the UK, where the Pillar 1 RW assigned to the exposure is <5%</u>
<u>210</u>	<u>Central government and central bank exposures to counterparties assigned CQS3 (or MEIP3) which are funded and denominated in domestic currency, excluding the UK, where the Pillar 1 RW assigned to the exposure is <5%</u>
<u>220</u>	<u>Central government and central bank exposures to counterparties assigned CQS4 (or MEIP4) which are funded and denominated in domestic currency, excluding the UK, where the Pillar 1 RW assigned to the exposure is <20%</u>
<u>230</u>	<u>Central government and central bank exposures to counterparties assigned CQS5 (or MEIP5 or 6) which are funded and denominated in domestic currency, excluding the UK, where the Pillar 1 RW assigned to the exposure is <20%</u>

<u>240</u>	<u>Central government and central bank exposures to counterparties assigned CQS6 (or MEIP7) which are funded and denominated in domestic currency, excluding the UK, where the Pillar 1 RW assigned to the exposure is <20%</u>
<u>250</u>	<u>Central government and central bank exposures to counterparties for which a credit assessment from a nominated ECAI is not available which are funded and denominated in domestic currency, excluding the UK, where the Pillar 1 RW assigned to the exposure is <20%</u>
<u>260</u>	<u>Regional government and local authority exposures assigned CQS1, excluding UK devolved administrations, where the Pillar 1 RW assigned to the exposure is <5%</u>
<u>270</u>	<u>Regional government and local authority exposures assigned CQS2, excluding UK devolved administrations, where the Pillar 1 RW assigned to the exposure is <20%</u>
<u>280</u>	<u>Regional government and local authority exposures assigned CQS3, excluding UK devolved administrations, where the Pillar 1 RW assigned to the exposure is <20%</u>
<u>290</u>	<u>Regional government and local authority exposures assigned CQS4 rating, excluding UK devolved administrations, where the Pillar 1 RW assigned to the exposure is <100%</u>
<u>300</u>	<u>Regional government and local authority exposures assigned CQS5 rating, excluding UK devolved administrations, where the Pillar 1 RW assigned to the exposure is <100%</u>
<u>310</u>	<u>Regional government and local authority exposures assigned CQS6 rating, excluding UK devolved administrations, where the Pillar 1 RW assigned to the exposure is <100%</u>
<u>320</u>	<u>Regional government and local authority exposures for which a credit assessment by a nominated ECAI is not available, excluding UK devolved administrations, where the Pillar 1 RW assigned to the exposure is <20%.</u>
<u>330</u>	<u>Sum of rows 200 to 320 (column 120 only)</u>

<u>Columns</u>	<u>Instructions</u>
<u>100</u>	<u>Exposure value taking into account outflows and inflows due to credit risk mitigation techniques and after the application of relevant conversion factors (same basis as COREP C 07.00 c0200).</u>

<u>110</u>	<u>Risk weighted exposure amounts for exposures reported in c100 (equivalent to COREP C 07.00 r0220)</u>
<u>120</u>	<p><u>Calculation of the systematic component for relevant central government, central bank, regional government and local authority exposures.</u></p> <p><u>Rows 200, 210, 260:</u> <u>Exposure value reported in c100 multiplied by 5%, minus the risk weighted exposure amounts in c110</u></p> <p><u>Rows 220, 230, 240, 250, 270, 280:</u> <u>Exposure value reported in c100 multiplied by 20%, minus the risk weighted exposure amounts in c110</u></p> <p><u>Row 290, 300, 310, 320</u> <u>Exposure value reported in c100 multiplied by 100%, minus the risk weighted exposure amounts in c110</u></p>

Unconditionally cancellable commitments table

<u>Rows</u>	<u>Instructions</u>
<u>340</u>	<u>Off balance sheet exposures assigned to the Retail exposure class in accordance with Articles 112(h) of the Credit Risk: Standardised Approach (CRR) Part, where a 10% conversion factor has been applied (in Pillar 1) in accordance with Table A1 of Article 111 of the Credit Risk: Standardised Approach (CRR) Part.</u>
<u>350 - 390</u>	<p><u>Breakdown by product type</u></p> <p><u>These rows are optional where firms are applying a flat 20% reference conversion factor to all unconditionally cancellable off-balance sheet exposures (in the Retail exposure class) for the purposes of their Pillar 2a credit risk add-on calculation.</u></p> <p><u>Firms are required to complete the row for each product type where they are proposing an add-on using a P2 conversion factor that is not 20%.</u></p>
<u>350</u>	<p><u>Of which personal loans</u></p> <p><u>Off balance sheet exposures reported in row 340 which are classified as commitments to provide personal loans (excluding credit cards, revolving loans and overdrafts).</u></p>

<u>360</u>	<u>Of which revolving loans and overdrafts</u> <u>Exposures reported in row 340 which are classified as revolving facilities including overdrafts (excluding personal loans, credit cards).</u>
<u>370</u>	<u>Of which UK credit cards</u> <u>Off balance sheet exposures reported in row 340 which are credit cards issued to obligors in the UK</u>
<u>380</u>	<u>Of which international credit cards</u> <u>Off balance sheet exposures reported in row 0340 which are credit cards which are issued to obligors in jurisdictions outside of the UK</u>
<u>390</u>	<u>Of which other off balance sheet exposures</u> <u>Off balance sheet exposures reported in row 0340 which are not reported in rows 0330 to 0360</u>

<u>Columns</u>	<u>Instructions</u>
<u>150</u>	<u>Fully adjusted exposure value, ignoring CRM substitution effects on exposure class allocation (meaning that where a retail exposure benefits from CRM protection, the covered part should still be reported in this table even if is treated as an exposure to the CRM protection provider)</u>
<u>160</u>	<u>Exposure value</u> <u>The exposure value after the application of the conversion factor, ignoring CRM substitution effects on exposure class allocation.</u>
<u>170</u>	<u>Pillar 1 RWAs</u> <u>The total risk weighted exposure amount calculated in accordance with Articles 111, 113(3), 123 and 123A of the Credit Risk: Standardised Approach Part, ignoring CRM substitution effects on exposure class allocation.</u>
<u>180</u>	<u>P2a conversion factor</u> <u>Firms shall report either the P2A conversion factor reference point of 0.200 (20%), or, where they apply an alternative reference point, the conversion factor as determined by the realised conversion factors observed from their portfolio, expressed to 3 decimal places.</u>
<u>190</u>	<u>P2A adjusted RWAs</u> <u>The adjusted risk weighted exposure amount, calculated using the exposure value reported in c160 and the P2A conversion factor reported in c0180.</u>

	<u>Fully adjusted exposure value (c01601) * P2A CF (c0180) * The risk weight applied in accordance with the Credit Risk: Standardised Approach (CRR) Part.</u>
<u>200</u>	<u>Calculation of the systematic components for retail unconditionally cancellable commitments</u> <u>Firms shall calculate the difference between the values reported in c0190 and c0170.</u>

Total

<u>Cell</u>	<u>Instructions</u>
<u>r400 c210</u>	<u>Sum of r330 c120, and r340 c200</u>

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