Bank of England PRA

Off-cycle review of Pillar 2 capital requirements for the Basel 3.1 standards implementation

Instructions for the Total Basel 3.1 risk-weighted assets (RWAs) template (Submission 1)

General information

1. Firms should submit the requested data using the template attached. This submission should be reported as at a period end date of 31 December 2024, based on the Basel 3.1 standards near-final rules, set out in policy statement (PS)17/23 – **Implementation of the Basel 3.1 standards near-final part 1**, and PS9/24 – **Implementation of the Basel 3.1 standards near-final part 2**.
2. Firms should respond to this data collection on an individual, sub-consolidated or consolidated basis in accordance with 'Reporting Pillar 2' Part 1.1-1.5A and 'Ring-fenced Bodies' Part 18.1(14). Firms should submit a separate data template for each level of consolidation ie on each basis on which a firm has a capital requirement. This includes cases where data at different levels of consolidation may be identical.
3. Firm 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; and

- the reporting currency – firms should report in the currency of their last ICAAP.

4. For areas where transitional arrangement is available in the Basel 3.1 standards near-final rules, firms should apply the first year transitional in this submission.

Data submission (Deadline: by 31 March 2025)

5. Firms are expected to complete this submission and include their total risk exposure amount, including a breakdown of credit risk, counterparty credit risk, credit valuation adjustment (CVA), market risk and operational risk RWAs. The calculation of these RWAs should be based on PS17/23 and PS9/24. This should be submitted by 31 March 2025.
6. For calculating the operational risk RWAs, business indicator (BI) is calculated as a three-year simple average of the relevant components as at a firm's financial year end. As set out in the PS17/23, firms can calculate the BI and sub-components with business estimates when audited figures are not available.
7. For firms with internal model permissions - in calculating the RWAs for the purposes of this submission, the impact of the output floor should be included in case it is binding. Firms should apply the first-year multiplier (ie 55%) for this submission. Please also indicate in the template (under the supplementary information section) whether the output floor is binding in calculating the RWAs for the purposes of this submission.
8. For firms that will be applying for relevant permissions for the use of internal models or methods which require prior PRA approval, please indicate in the template (in the 'qualitative information' column) which permissions the firm is planning to apply for and the timing of the applications (including in relation to the standard credit valuation adjustment method (SA-CVA) and the advanced standardised approach method for market risk (ASA)). In addition, for firms that are anticipating the use of these models and methods to calculate RWAs as at the PRA's implementation date of 1 January 2026 of the Basel 3.1 standards, please refer to the following guidance:
    a) For market risk internal modelled approach (IMA), firms that submit an IMA application at least 12 months before 1 January 2026 may assume approval for the purpose of calculating market risk RWAs for this exercise; those that do not do so should instead use the advanced standardised approach (ASA). For ASA, firms that intend to apply for permissions within ASA (eg the use of alternative delta sensitivities) and within the necessary timescales for day-1 approval should assume approval of these for the purposes of calculating market risk RWAs for this exercise.

b) For credit risk internal rating based (IRB) models, firms with existing IRB model approval should assume their current IRB models will apply to their calculation of total Basel 3.1 RWAs (subject to any exposures on the standardised approach), except for portfolios where firms are required to adopt a less sophisticated approach under the Basel 3.1 standards (eg the standardised approach (SA) instead of the IRB approach or the foundation IRB (FIRB) approach instead of the advanced IRB (AIRB) approach), and for portfolios where the firm intends to apply (within the necessary timescales for day-1 approval) to revert to a less sophisticated approach under the Basel 3.1 standards. Firms should apply the Basel 3.1 standards adjustments (eg input floors) on a best efforts basis.

c) For the standardised approach for credit risk, the PRA considers it appropriate for firms to assume approval of any application to apply the 'risk sensitive' approach to unrated corporate exposures from the Basel 3.1 standards implementation date that firms intend to submit within the necessary timescales for day-1 approval, for the purposes of calculating credit risk RWAs for this exercise.

d) For CVA Risk (SA-CVA), the PRA considers it appropriate for firms to assume approval of any internal model applications under SA-CVA that firms intend to apply for within the necessary timescales for day-1 approval, for the purposes of calculating (CVA) RWAs for this exercise.

Units

9. All amounts should be reported in absolute values rounded to the nearest whole number in reporting currency.

Definitions

10. All definitions are in line with the Basel 3.1 standards near-final rules, unless otherwise specified.

September 2024