

14 FSA045 – IRB portfolio risk

Currency

You should report in the currency of your annual audited accounts i.e. in Sterling, Euro, US dollars, Canadian dollars, Swedish Kroner, Swiss Francs or Yen. Figures should be reported in 000s, to 3 decimal places.

Data elements

These are referred to by row first, then by column, so data element 2B will be the element numbered 2 in column B.

PiT, TTC or Hybrid PiT

This should be based on the firm's rating philosophy.

Point in Time (PiT): A rating system which explicitly estimates default risk over a fixed period, typically one year.

Through the Cycle (TTC): A rating system which seeks to take cyclical volatility out of the estimation of default risk by assessing a borrower's performance over the business cycle.

Hybrid PiT: A rating system which sits in-between the PiT and TTC rating systems described above.

Definition of default – number of days

The exact number of days past due that is applied to each asset class as part of the definition of default.

Credit risk

Gross exposure value

Exposure value without taking into account value adjustments and provision/impairments, conversion factors and the effect of credit risk mitigation techniques, except in the case of Funded Credit Protection in the form of master netting agreements.

Exposure at default estimate

Calculate in accordance with the EU *CRR* provisions relating to the IRB approach. This should be the downturn EAD.

Maturity

This is the exposure weighted average maturity in days. It should take into account the maturity floor and ceiling.

PD – Probability of default

The probability of default of a counterparty over a one year period, calculated in accordance with the *EU CRR* provisions relating to the IRB approach. This should be the long-run PD and take into account the 0.03% PD floor.

LGD – Loss given default

The ratio of the loss on an *exposure* due to the default of a counterparty to the amount outstanding at default, calculated in accordance with the *EU CRR* provisions relating to the IRB approach.. This should be the downturn LGD.

Expected loss

Calculate in accordance with the *EU CRR* provisions relating to the IRB approach.

Risk weighted exposure amount

Calculate in accordance with the *EU CRR* provisions relating to the IRB approach The SME-supporting factor according to Article 501 of the CRR should be excluded.

Counterparty credit risk**Gross exposure value**

Exposure value without taking into account value adjustments and provision/impairments, conversion factors and the effect of credit risk mitigation techniques, except in the case of Funded Credit Protection in the form of master netting agreements.

Exposure at default estimate

Calculate in accordance with the *EU CRR* provisions relating to the IRB approach. This should be the downturn EAD.

Maturity

This is the exposure weighted average maturity in days. It should take into account the maturity floor and ceiling.

PD – Probability of default

The probability of default of a counterparty over a one year period, calculated in accordance with the *EU CRR* provisions relating to the IRB approach. This should be the long-run PD and take into account the 0.03% PD floor.

LGD – Loss given default

The ratio of the loss on an exposure due to the default of a counterparty to the amount outstanding at default, calculated in accordance with the *EU CRR* provisions relating to the IRB approach. This should be the downturn LGD.

Expected loss

Calculate in accordance with the *EU CRR* provisions relating to the IRB approach..

Risk weighted exposure amount

Calculate in accordance with the *EU CRR* provisions relating to the IRB approach.

FSA045 – IRB portfolio risk validations

Internal validations

PD bands should be mutually exclusive and numerically sequential.

External validations

There are no validations for this data item.

The purpose of this *data item* is to record details of an *ILAS BIPRU firm's* liquidity flows. .

Valuation

Except where outlined, a *firm* should follow the relevant provisions in the *EU CRR*. A *firm* not subject to the *EU CRR* should follow its applicable accounting standards.

All collateral, cash and related deposits segregated for the benefit of a *client* should be excluded from FSA047 irrespective of the accounting treatment used by the *firm*.

Currency

The reporting currency for this *data item* is whichever of the following currencies the *firm* chooses, namely USD (the United States Dollar), EUR (the euro), GBP (sterling), JPY (the Japanese Yen), CHF (the Swiss Franc), CAD (the Canadian Dollar) or SEK (the Swedish Krona).

Amounts should be entered in multiples of 1,000 of the relevant currency unit.

Completion in a material currency

Where a *firm* is completing this *data item* in a *material currency*, the *firm* should only report positions and flows denominated in the *material currency* in question. In the case of off balance sheet items reportable in Part 8 where contingent liabilities or commitments may be drawn in multiple currencies, a *firm* should report these in the base currency of that contingent liability or commitment. Any payments and receipts in the *material currency* resulting from foreign exchange and currency swap flows are reported on line 57. If this *data item* is not being reported in a *material currency*, line 57 is left blank.

Data elements

These are referred to by row first and then by column. So, *data element 2B* will be the element entered in row 2 and column B.

Note this *data item* requires the completion of daily flows for only a subset of the rows in FSA048 and a *firm* is only required to complete the *data elements* as outlined.

For the rows for which a *firm* is required to complete this *data item*, it should make entries in Column A for any daily flows of cash or securities on the day (not being a Saturday or Sunday) following the reporting date, such date being "Date +1", and each day after that (not being a Saturday or a Sunday) in Column B onwards. If there are multiple flows on a single day these should be reported in a single Column.

The final Column required in this form is for the day (not being a Saturday or a Sunday) immediately prior to the earliest date a *firm* would report entries in Column F of FSA048. None of the information entered in rows in FSA047 will therefore overlap with any of the information entered in rows on FSA048 and vice versa.

Completion and submission to the appropriate regulator

A *firm* should complete this *data item* and report cash flows and security flows in the relevant time bands based on their residual contractual maturity. Asset flows should be entered according to their latest maturity. Liability cash flows should be entered according to their earliest possible date of outflow. Any flows or balances between entities included within the scope of the return should be eliminated in accordance with generally accepted accounting principles.

FSA048 definitions

A *firm* should refer to the relevant Guidance Notes for FSA048 to complete the relevant *data elements* of this *data item*.

FSA047 time bands are defined by the reporting date and the application of the 'modified following' market convention, ignoring the existence of any non-settlement weekdays (bank holidays) in any currency.