

21 February 2022

Questionnaire on the Assessment of the Equivalence with European regulatory and supervisory framework

Introduction

1. Articles 107(4), 114(7), 115(4), 116(5) and 142(2) and 391 of Regulation (EU) No 575/2013 (Capital Requirements Regulation, CRR) delegate to the European Commission the power to determine by way of implementing act(s) whether third countries' supervisory and regulatory arrangements are equivalent to those applied in the European Union.
 2. To this extent, Article 33(2) of Regulation (EU) 2010/1093 mandates the EBA to assist the European Commission in preparing equivalence decisions pertaining to regulatory and supervisory regimes in third countries.
 3. Therefore, the purpose of the present questionnaire is to enable the EBA to gather the information necessary to assess whether
 4. equivalent prudential standards in terms of supervision and regulation apply in a given third country. Ultimately, the goal is to assess the degree of implementation in the third country's regulatory and supervisory framework of standards achieving similar outcomes as the EU framework in terms of ensuring:
 - a. **Effective and adequate protection of investors** and consumers of financial services;
 - b. The **stability and integrity** of the domestic financial system;
 - c. **Cooperation** between different actors of the financial system, including regulators and supervisors;
 - d. **Independent and effective supervision**;
 - e. Proper implementation and **enforcement of relevant internationally agreed standards** as transposed in the EU legislation.
 5. The approach is mostly outcome-based and considers the major features of the relevant supervisory and regulatory framework. Third-country provisions are considered with
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respect to the materiality of any deviations from the EU framework, and the way in which such deviations are eventually addressed.

6. The equivalence assessment is based on the supervisory and regulatory regimes actually in existence at the end of the assessment. Future regulation can be taken into account only if it is in advance stage of development.
7. The equivalence assessment is based on regulation that is clearly enforceable rather than 'soft law' or quasi-legal instruments which do not have any legally binding force.
8. The equivalence assessment is primarily based on the existence of the relevant supervisory and regulatory framework as documented in domestic laws and regulations and explained by local authorities.

Structure of the questionnaire

9. The purpose of this questionnaire is to facilitate the collection of information and guide the analysis of third country jurisdictions' provisions with respect to prudential supervision and regulatory requirements specified in EU laws
10. The questions included in the Questionnaire are divided into horizontal questions, and the following 16 thematic sections
 - 1) Overview of the banking sector
 - 2) Supervisory Framework
 - 3) Own Funds and eligible liabilities
 - 4) Reporting requirements and valuation
 - 5) Credit Risk – Standardized Approach
 - 6) Credit Risk – IRB Approach
 - 7) Credit Risk Mitigation
 - 8) Securitisation and Credit Risk Transfer
 - 9) Operational Risk
 - 10) Market Risk and Counterparty Credit Risk
 - 11) Liquidity
 - 12) Macro-Prudential framework
 - 13) Capital buffers
 - 14) Large Exposures Framework
 - 15) Leverage Ratio
 - 16) Market discipline and disclosure
11. Except for Section 1 (Overview of the banking sector), most of the questions in each section of the questionnaire are accompanied with relevant legislative references to appropriate EU law, and in most cases, also with a brief explanation of the EU framework (General

Principles), which should help facilitate and guide the interpretation of EU law. It should be noted, however, that such brief explanations are for informational purposes only, do not constitute a complete legal source and do not contain assessment criteria and the third-country provisions are not assessed against the explanations, examples and definitions that they contain.

12. Since the main legislative texts of European banking law are a *de facto* transposition of the Basel II and Basel III framework in EU, besides the relevant articles of the relevant EU legislation, several questions in the questionnaire also quote the corresponding Basel standard, for ease of reference.

Guidance for the compilation of the questionnaire

13. Since the assessment is covering the national regulations in place, the addressed national supervisory authority should communicate with other relevant authorities within its jurisdiction and potentially involve them in the self-assessment, in order to provide a consistent review of the national regulatory framework.

14. The third country should submit all information in English; however should that not be the case, the translations need to be provided. References to domestic regulations and specific regulatory texts that implement the requirements equivalent to the EU provisions should be as detailed as possible and always indicated. Links or copies of such legal or regulatory texts should be provided (preferably in English).

15. While the questionnaire is very granular, this should help the compilation in maintaining the answers as focused as possible on the relevant topic.

16. In sections 3-16 (i.e. the ones covering the regulatory framework), it is kindly requested that – for every answer - the specific references in the national laws are always included, to substantiate the answer and to facilitate analysis and comparisons.

17. In line with the principles recalled above, only relevant legislation in place at the time of the assessment and clearly enforceable should be considered and provided in support of the answers.

18. Additional sheets and associated documents can be annexed to the questionnaire to help provide further explanation and background information to the assessment team

Relevant EU provisions for the purpose of the Equivalence assessment

19. The aim of the equivalence assessment process is to assess whether third countries apply regulatory and supervisory arrangements that are equivalent to the EU regulatory and supervisory framework applied in the relevant areas. The building blocks are given by a regulation (Capital Requirements Regulation – CRR) and a directive (Capital Requirements Directive, CRD):

- The CRR contains the detailed prudential requirements for credit institutions and certain investment firms¹ in terms of capital requirements, risk definition and measurement for credit, market and operational risk, liquidity and leverage;
- The CRD deals with the procedures and processes from the supervisory side to ensure effective monitoring of risk governance and practices and envisages specific requirements on corporate governance arrangements and rules aimed at increasing the effectiveness of risk oversight.

20. Here below the main legislative texts of the EU banking legislations are listed, each with the relevant link to the pdf document². When reference to these texts is made in the questions, they will be indicated at the beginning of each section.

1. Capital Requirements Regulation (CRR; Regulation (EU) No 575/2013): <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02013R0575-20210930&from=EN>
2. Capital Requirements Directive (CRD; 2013/36/EU) : <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02013L0036-20220101&from=EN>
3. Delegated Regulation (EU) 2015/61 to supplement Regulation (EU) No 575/2013 with regard to liquidity coverage requirement for Credit Institutions (<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015R0061&from=EN>)
4. Regulation (EU) 2017/2402 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation (<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R2402&from=EN>)
5. Regulation (EU) 2017/2401 amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms: (<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R2401&from=EN>)
6. Investment Firms Regulation (IFR): Regulation (EU) 2019/2033 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010,

¹ While the prudential framework for investment firms is set out in the Investment Firm Regulation and Directive (IFR/IFD), some investment firms remain subject to the CRR/CRD rules. This is the case for investment firms that perform dealing on own account or underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis and meet a EUR 30 bn threshold for their consolidated assets, which needs to be authorized as credit institutions (Art. 4(1) CRR). It is also the case for investment firms that perform dealing on own account or underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis and meet a EUR 15 bn threshold in terms of their consolidated assets (Art. 1(2) IFR) or meet a EUR 5 bn threshold and are designated by their competent authorities following specific criteria (Art. 5 IFD)

² The link provides the reference to the latest available consolidated version, i.e. the version including the most recent amendments at the date of publication

(EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014: (<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02019R2033-20191205&from=EN>)

7. Investment Firms Directive (IFD): Directive (EU) 2019/2034 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU: (<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02019L2034-20191205&from=EN>)
8. Bank Resolution and Recovery Directive (BRRD); Directive (EU) 2014/59 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012): (<https://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX%3A32014L0059>)

Definitions

For a proper interpretation and understanding of the CRR/CRD provisions, it is always necessary to refer to definitions of specific terms used in these legal acts (especially to the definitions provided in Art. 4 CRR and Art. 3 CRD). Nevertheless, to facilitate the process of answering the questions, the key terms which are most frequently used within the Questionnaire are also defined below:

- **“credit institution”** (Art. 4(1)(a) CRR): means an undertaking the business of which consists in any of the following:
 - to take deposits or other repayable funds from the public and grant credits for its own account;
 - to carry out any of the activities referred to in points (3) and (6) of Section A of Annex I to Directive 2014/65/EU (i.e. dealing on own account or underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis) and meet a EUR 30 bn threshold for their consolidated assets, either individually or, under certain conditions³, together with other undertakings within the same group
- **“investment firm”** (Art. 4(1)(b) CRR and Art. 4(1) Directive 2014/65/EU) means a legal person whose regular occupation or business is the provision of one or more investment services to third parties and/or the performance of one or more investment activities on a professional basis;
- **“institution”** (Art. 4(1)(c) CRR) means a credit institution – as defined above - or an undertaking as referred to in Article 8a(3) CRD;

³ These conditions are clarified in the Final Report on Draft Regulatory Technical Standards on the reclassification of investment firms as credit institutions

(https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Draft%20Technical%20Standards/2021/RTS%20on%20threshold%20methodology%20and%20monitoring/1025587/Final%20report%20on%20draft%20RTS%20on%20EUR%2030bn%20threshold%20methodology.pdf)

- **“Member State”** means a country that belongs to the European Union;
- **“competent authority”** means a public authority or body officially recognised by national law, which is empowered by national law to supervise institutions as part of the supervisory system in operation in the Member State concerned;
- **“prudential regulation”** means a set of rules concerning:
 - i. access to the activity of institutions (i.e. conditions for their authorisation);
 - ii. supervisory powers and tools for the prudential supervision of institutions by competent authorities;
 - iii. the prudential supervision of institutions by competent authorities;
 - iv. publication requirements for competent authorities in the field of prudential regulation and supervision of institutions;
 - v. requirements imposed on institutions

1. Overview of the Banking Sector

In this section, we would ask you to provide a description of the main features of your country's financial sector (e.g. size, number and type of institutions under prudential supervision), as well as the recent performance of the banking sector as a whole.

We would also ask to attach relevant documents supporting this description (e.g. public reports from your supervisory authority, from international organizations such as the IMF or World Bank), if they can help paint a certain picture of the financial and banking system in your country. Please use tables and charts where this can help a better comprehension of the recent evolution.

1.1 Structure of the banking system

1. Could you please provide an overview of the most recent trends and developments of your jurisdiction's financial and banking sector in recent years in terms of structure and types of institution?
2. Can you please provide the most recent data (possibly with the evolution over the past three years) on your country's banking system in terms of:
 - a. Total Assets
 - b. Number and type of institutions
 - c. Assets per type of institutions
 - d. Total deposits
 - e. Deposits per type of institutions
 - f. Other funding items/sources (total and per type of institution)
 - g. Liability composition
 - h. Type of ownership
 - i. % of institutions that apply a Basel-like framework
 - j. % of capital instruments that has been issued by local institutions outside your jurisdiction (i.e. under the private law of another jurisdiction)

1.2 Performance and trends of the banking system

1. Can you please provide a self-assessment of the main risks and vulnerabilities of the financial and banking system in your country? In particular, please provide details of recent trends in the following metrics:

- a. Household debt (in absolute value and vs. income)
 - b. Corporate debt in absolute value and vs. total assets
2. Can you please provide a self-assessment of the recent performance of the banking system in your country?
3. Can you please provide, as much as they are available, data on the following metrics (last 5 years):
- I. CAPITAL ADEQUACY**
 - a. CET1 ratio %
 - b. TOTAL CAPITAL RATIO %
 - c. LEVERAGE RATIO %
 - d. RWA Composition breakdown (Credit Risk, Market Risk, Operational Risk)

 - II. LIQUIDITY**
 - a. Liquidity Coverage Ratio, % (if implemented)
 - b. Net Stable Funding Ratio (NSFR), % (if implemented)
 - c. 30-day Cash Flow (or any other measure for short term liquidity)
 - d. Loan to deposit ratio

 - III. PROFITABILITY**
 - a. Return on Equity (RoE), %
 - b. Return on Assets (RoA), %
 - c. Main drivers (e.g. Net Interest Income, Net Trading Income, Net Fees and Commissions Income)
 - d. Cost/Income ratio, %
 - e. Litigation/conduct risk costs (*if data are available*)

 - IV. ASSET QUALITY**
 - a. Non-Performing Loans (NPLs) ratio, % (if available, please provide figures by sector)
 - b. Coverage Ratio, %
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2. Supervisory Framework

2.1 General Issues – Applicability of laws

EXPLANATION	<p><i>The CRD and CRR set out prudential requirements applicable to institutions as defined in Art. 4(1)(c) CRR and to certain investment firms as defined in Art. 1(2) IFR and Art. 5 IFD.</i></p> <p><i>As for supervisory authorities, the EU framework applicable to institutions requires Member States to designate supervisory authorities in order to carry out all supervisory functions provided for in the EU law.</i></p>
1	Please explain which authorities are responsible for prudential regulation and supervision in your jurisdiction and briefly describe their respective responsibilities (to this extent, it would be helpful if you can provide an organigram of the prudential and regulatory authority). What is the structure and governance of cooperation between authorities?
Answer	
EXPLANATION	<p><i>One of the key features of the CRD is the empowerment of competent authorities with specific tasks and duties, with legal enforceability. In particular, Member States must guarantee that competent authorities have the expertise, the resources, the operational capacity, powers and independence to carry out their duties relating to prudential supervision.</i></p>
2	Please describe the legal framework in your jurisdiction for conducting banking activities (providing a list of relevant laws and regulations, with the respective issuance date)
Answer	
3	Are the laws and regulations supplemented by additional guidance for e.g. interpretative notes issued by the relevant supervisor(s)?
Answer	
4	For each category of executive guidance and operational rules issued by the regulatory and supervisory authority, could you please clarify their enforceability (i.e. which penalties are envisaged in case of breach of such guidance)
Answer	

2.2 Authorisation

<p>EXPLANATION</p>	<p><i>The EU legislation requires institutions to hold a minimum initial capital or separate own funds prior to receiving authorisation to commence their activities. The requirements envisaged by the EU legislation follow the key principle that the initial capital should give the institution a stable basis to fund the core business without taking excessive risk and should show adequate commitment from the investors.</i></p> <p><i>The EU framework also envisages specific rules about the acquisition of “qualifying holding” in a credit institution (i.e. acquiring participations in the credit institution as a result of which the percentage of voting rights or capital held in this institution would exceed any of the thresholds defined in the CRD (e.g. 20%, 30%, 50%). Specific criteria are also set out in order to properly assess the suitability of the proposed acquirer and the financial soundness of the proposed acquisition. Furthermore, specific information and disclosure requirements are envisaged in the CRD.</i></p>
<p>REFERENCES</p>	<p>Provisions about the requirements for the access to the activity of credit institutions are laid down in Title III of CRD; in particular, Art. 21a details the conditions for the approval of financial holding companies and mixed financial holding companies. The rules on initial capital are detailed in Art. 12 CRD while provisions of notification and assessment of a proposed acquisition, as well as the concept of qualifying holding are laid down in Art. 22-27 CRD.</p>
<p>5</p>	<p>What are the requirements in place in your jurisdiction for granting the authorisation to institutions to run their activities? Do these requirements differ according to the type of services provided? Are there notification requirements for a firm intending to cease/increase or decrease substantially the provision of already authorized services? If so, how does this notification process work (e.g. is it a non-objection procedure or a fully-fledged assessment?)</p>
<p>Answer</p>	
<p>6</p>	<p>What are the reasons and circumstances (detriments of law committed by the credit institution) in place in your jurisdiction for the withdrawal of an authorisation that was granted to a credit institution or an investment firm?</p>
<p>Answer</p>	
<p>7</p>	<p>Does your jurisdiction require that acquisitions or increases of qualifying or significant holdings in credit institutions must be subject to notification or application for approval and prudential assessment?</p> <ul style="list-style-type: none"> - If so, how is a qualifying or significant holding defined? - Within this context, are there specific provisions concerning cross-border cooperation between supervisory authorities?
<p>Answer</p>	

2.3 Prudential Supervision

<p>EXPLANATION</p>	<p><i>This section aims at understanding which types of institutions fall under the scope of prudential supervision in your jurisdiction and whether prudential supervision is performed on an individual institution level or a consolidated level or a combination of both. With regard to the level of consolidation, note that according to the CRR both levels are supervised (i.e. individual and consolidated); supervision at only one level should be carefully explained.</i></p> <p><i>In the EU framework, external auditors (and similar functions) are obliged to inform supervisors about identified material breaches of the laws, regulations or administrative provisions specifying conditions for authorisation or carrying out activities of institutions.</i></p> <p><i>In the EU legislation, supervisors are allowed to impose administrative penalties and other administrative measures in various circumstances ranging from reporting of incomplete or inaccurate information to breach of limits. Moreover, supervisors are required to have appropriate mechanisms in place to encourage reporting of potential or actual breaches of law and institutions are required to have appropriate procedures in place for their employees to report breaches internally.</i></p>
<p>REFERENCES</p>	<p>Please refer to Art.1 CRR for the scope of the regulation and to Art. 6-9 CRR for level of supervision on individual basis and Art. 10a-19 CRR for the level of supervision on a consolidated basis. The control of consolidated accounts is defined in Art.63 CRD, while Art. 65 and 66 CRD specify the administrative penalties and other administrative measures, and the circumstances where such administrative penalties or other administrative measures can be imposed. The need for establishing an appropriate system of reporting breaches is set out in Art. 71 CRD.</p>
<p>8</p>	<p>In case the supervision is performed on a consolidated basis in your jurisdiction, please explain the rules applicable for the determination of the entities in the scope of prudential consolidation (as opposed to the accounting scope of consolidation).</p>
<p>Answer</p>	
<p>9</p>	<p>Where the supervision is performed on a consolidated basis, please explain the methods used for prudential consolidation (full consolidation, proportionate, equity method)?</p>
<p>Answer</p>	
<p>10</p>	<p>Is there a legal obligation in your jurisdiction for persons responsible for legal control of annual and consolidated accounts (external public auditor) to inform the supervisory authorities about their findings related to any material breach of laws or regulations?</p>
<p>Answer</p>	

11	Is there a legal obligation in your jurisdiction for internal auditors (not just external auditors) to inform the supervisory authorities about their findings related to any material breach of laws or regulations?
Answer	
12	Are the supervisory authorities in your jurisdiction legally in a position to impose administrative penalties, sanctions or other administrative measures on institutions? If so, for which types of detriments of law and regulations and under which conditions?
Answer	
13	Can supervisory authorities in your jurisdiction impose additional own funds requirements vs. Pillar 1? Under which circumstances? Please provide examples, if possible. Is there any requirement in terms of the quality of capital needed for these additional own funds requirement?
Answer	
14	With respect to the additional own funds requirement, do you make a distinction between a (hard) requirement and a guidance to be communicated by the supervisors?
Answer	

2.4 Supervision of branches of third country groups

15	Please describe your approach to the supervision of branches of third country groups.
Answer	
16	Please describe whether you consider the degree of equivalence of the home state supervisor's supervisory and regulatory regime during the authorisation and ongoing supervision of branches and your approach to assess the degree of equivalence with the home regime.
Answer	

2.5 Supervisory Review Process

EXPLANATION	<i>European supervisors are required to perform an independent evaluation of the institutions' risk situation, since the supervisor might evaluate the risks of the institution</i>
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	<p><i>differently than the institution itself. Following such independent evaluation of risks, the competent authority is empowered to impose additional capital or other requirements in order to cover any potential additional risk not covered by the institution following its internal evaluation of risks.</i></p> <p><i><u>Supervisory Review and Evaluation process (SREP):</u> Competent authorities shall review arrangements and processes implemented by the institutions and evaluate the risks to which such institutions are exposed, together with the risks posed to the financial system and its stability. Following such assessment, the competent authorities are endorsed with supervisory measures and supervisory powers in order to minimized or reduce such risks</i></p> <p><i><u>Internal Capital Adequacy Assessment Process (ICAAP):</u> The ICAAP is at the core of the so-called “Pillar II” approach, and requires that institutions undertake a regular assessment of the amounts, types and distribution of capital that they consider adequate to cover the risks to which they are exposed. Such an assessment should cover the major sources of risks to the institutions’ ability to meet their liabilities as they fall due and incorporate stress testing and scenario analysis. The ICAAP, and the corresponding internal processes, should be proportionate to the nature, scale and complexity of the institution.</i></p>
REFERENCES	The provisions on Supervisory Review and Evaluation Process provisions are defined in Art. 97-100 and 110 CRD. The provisions on ICAAP are set out in Art. 73 and 108 CRD. Ongoing review of internal models is defined by Art. 101 CRD.
	Please provide details of the Supervisory Review Process to which institutions are subject in your jurisdiction. Please provide details on the following:
17	a. The categorisation of institutions for the purpose of the Supervisory Review Process (i.e. whether there are differences in methodologies applied due to size and complexity or other reasons)
Answer	
18	b. The methodologies employed for the Supervisory Review Process Is there a difference in your jurisdiction as regards the methodologies according to the type of institutions (e.g. how will the SREP be conducted for systemic investment firms?)
Answer	
19	c. The areas of investigation/scope of the Supervisory Review
Answer	
20	d. The indicators monitored or findings that would normally trigger supervisory measures
Answer	

21	e. The frequency (supervisory cycle) with which the institutions are evaluated and assessed
Answer	
22	f. The minimum elements that are included in your supervisory review and evaluation process, including key indicators, the results of stress testing, exposure & management of concentration risks, assessment of business models and sustainability of strategy
Answer	
23	g. Whether the supervisory review and evaluation process includes any specific assessment of liquidity and funding risks
Answer	
24	h. The communication provided to institutions on the results of the Supervisory Review, including timing, form, obligatory content (elements), final assessment (scoring)
Answer	
25	Does your legislation include the need for institutions to carry out their own Internal Capital Adequacy Assessment Process (ICAAP)? Please provide details about the content of the ICAAP and its frequency.
Answer	
26	Are there requirements in place for the assessment of the internal governance framework? In the EU, these include requirements on a clear organisational structure, consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks, adequate internal control mechanisms and sound remuneration policies (also including a potential bonus cap).
Answer	
27	Are Pillar 2 requirements (additional capital requirements or additional liquidity requirements) used as a supervisory tool in your jurisdiction? If yes, which are the main drivers behind Pillar 2 requirements in your authority?
Answer	
28	Please explain the articulation of additional Pillar 2 requirements, in particular – what metrics or ratios are used.

Answer	
29	Is an ongoing review of internal approaches equivalently established?
Answer	

2.6 Governance including fit and proper

EXPLANATION	<i>The provisions on governance arrangements set requirements relating to the organisational structure of the institution, the role and responsibilities of the management body and its composition. In particular, these provisions lay down the management body's responsibilities in relation to risk issues, including as regards the setting up of an independent internal control framework (including risk management function, compliance function and internal audit function).</i>
REFERENCES	Articles. 74, 76, 88 and 91 of CRD
30	In the EU, Article 91(3)(4)(5)(6) of the CRD set out requirements regarding time commitment and the number of directorships that a member of the management body can have. Can you please point to similar references in your law and / or can you provide information on the amount directorships assessed and considered. In addition, do you monitor the time commitment of members?
Answer	
31	In the EU, Article 91(7) of the CRD requires that the management body must possess "collective knowledge". Can you please point to similar references in your law and / or can you provide information on how you assess the collective knowledge of the board assessed and considered?
Answer	
32	In the EU, Article 91(8) of the CRD sets out that each member of the management body must possess "independence of mind" to effectively assess and challenge the decisions of senior management. Can you please point to similar references in your law and / or can you provide information on how you assess and consider the independence of mind of the management body.
Answer	
33	Are there any requirements on the time commitment of the management body / limitations to the number of directorships?
Answer	

34	Are there any provisions on the composition of the management body in particular with regards to diversity requirements including gender, geographical and educational background, age?
Answer	
35	Could you please elaborate on the suitability assessment of members of the management body, including which kind of requirements exist to become part of the management body of a credit institution and an investment firm (limitation of number of directorships, knowledges and experiences, good reputes, honesty and integrity, etc)?
Answer	
36	Are the above indicated requirements also included for the assessment of the suitability of Key Function Holders ⁴ ?
Answer	
37	Does the regulations in your jurisdiction provide the possibility to remove Members of the MB when they do not fulfil suitability requirements
Answer	
38	Are there any general requirements for the Management Body (MB) and its composition? In particular, are there any requirements regarding induction and training for members of the MB?
Answer	
39	Could you please elaborate further on the possibilities/requirements for the management body to form committees (e.g. nomination committee, risk committee, etc.)
Answer	
40	What are the supervisory practices regarding the assessment of the suitability of the members of the MB and of Key Function Holders?
Answer	

⁴ Key Function Holders means persons who have significant influence over the direction of the institution, but who are neither members of the management body and are not the CEO. They include the heads of internal control functions and the CFO, where they are not members of the management body, and, where identified on a risk-based approach by CRD-institutions, other key function holders (e.g. heads of significant business lines, third country subsidiaries and other internal functions)

41	Do you verify whether the suitability requirements are still fulfilled where there is reasonable grounds to suspect that money laundering or terrorist financing is being or has been committed or attempted, or there is increased risk thereof in connection with a specific institution?
Answer	

2.7 Remuneration

EXPLANATION	<i>The provisions on remuneration require institutions to apply remuneration policies and practices that are consistent with effective risk management and long term interest of the institution. In particular, they include rules on the level of variable remuneration, the basis on which variable remuneration is awarded and how it should be paid. The role of the remuneration committee is also laid down in these provisions.</i>
REFERENCES	Articles 75, 92, 94 and 95 CRD
42	How will you ensure that remuneration policies are consistent with sound and effective risk management and provide incentives for prudent and sustainable risk taking?
Answer	
43	How do you intend to apply rules on remuneration of categories of staff whose professional activities have a material impact on the risk profile of their institutions?
Answer	
44	What are the supervisory practices regarding the monitoring of remuneration practices?
Answer	
45	Are there any limitation between the variable and fixed part of the remuneration?
Answer	

3. Own Funds and eligible liabilities

General Principles

The EU regulation intends to cover different risks faced by institutions with their Own Funds encompassing capital instruments which can be classified according to their loss absorption capacity as: Common Equity Tier 1 (“CET1” – the highest quality capital), Additional Tier 1 capital instruments (“AT1”) and Tier 2 capital instruments (“T2”).

The total amount of Own Funds qualifying to cover the different risks is calculated as Total Capital= CET1+AT1+T2.

The CRR also establishes a predefined minimum amount and composition in terms of quality of the own funds, whereas lower quality requirements can be fulfilled with higher quality capital (the Tier 1 requirement can be met with CET1 fully or with CET1 and up to 1.5% AT1 and the Total Own Funds requirement can be met with Tier 1 fully or with Tier 1 and up to 2.0% Tier 2).

The overall principles on classification of Own Funds items into CET1, AT1 or T2 are the loss absorbency and the availability of capital in cases of severe distress. For example, only capital instruments that are permanently available for absorbing losses of the institution would qualify as the CET1 – the highest quality capital.

Please note the information below gives a broad overview of the EU criteria. When completing the assessment supervisors should refer to the CRR Articles detailed below and highlight where the law in your jurisdiction differs to that contained in the CRR.

In the Basel framework, own funds provisions are detailed in the RBC and CAP standard (https://www.bis.org/basel_framework/standard/RBC.htm, https://www.bis.org/basel_framework/standard/CAP.htm)

In parallel, the EU Regulation complements the range of loss absorbing instruments with “eligible liabilities instruments” meant to facilitate the implementation of resolution action in case of failure.

The G-SII requirement laid down in the EU Regulation is drawing on the *Principles on Loss-absorbing and Recapitalisation Capacity of G-SIBs* adopted by the FSB (<https://www.fsb.org/wp-content/uploads/TLAC-Principles-and-Term-Sheet-for-publication-final.pdf>, FSB TTS). In the EU this standard has been implemented by its integration into the overall resolution framework. The BRRD provides notably for the setting of MREL for all banks in the EU.

	QUESTION	Art. CRR/CRD	Basel ref.
	Elements of Own Funds and eligible liabilities		
1	<p>Does your jurisdiction have similar components and ratios of own funds as detailed below?</p> <p>CET 1 capital ratio of 4.5%</p> <p>Tier 1 capital ratio of 6% (composed of CET1 and AT1)</p> <p>Total capital ratio of 8% (composed of CET1, AT1 and T2)</p>	<p>CRR Art. 25</p> <p>70</p> <p>71</p> <p>92</p>	<p>RBC-20.1, CAP-20.1</p>
	Answer	<i>Legislative references</i>	
2	Does your jurisdiction have a G-SII requirement for own funds and eligible liabilities of 18% of risk weighted assets and 6.75% of the leverage ratio exposure for domestically incorporated G-SIIs?	Art 92a CRR	Point 4 FSB TTS
	Answer	<i>Legislative references</i>	
3	Are material subsidiaries of foreign G-SIIs in your jurisdiction required to satisfy a requirement for own funds and eligible liabilities equal to 90% of the requirement for own funds and eligible liabilities applicable to G-SIIs incorporated in your jurisdiction?	Art 92b CRR	Point 18 FSB TTS
	Answer	<i>Legislative references</i>	

3.1 CET1 Instruments

4	<p>Do the CET1 components in your jurisdiction consist of the items detailed in a) – f) below and does it impose the same conditions and restrictions as contained in Article 26 (1) and Article 26(2) of the CRR with regard the inclusion of interim and year-end profits? Please also indicate if you have any alternative or other items to those listed below.</p> <p>a) Capital instruments (if eligible, see qualifying conditions in section below)</p> <p>b) share premium accounts related to capital instruments referred to in point (a)</p> <p>c) retained earnings</p> <p>d) accumulated other comprehensive income</p> <p>e) other reserves</p> <p>f) funds for general banking risks</p>	<p>CRR Art. 26 (1) (2) (3)</p>	<p>CAP-10.6-10.7</p>
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	<p>With regard to items c-f these items should be available for use to institutions for unrestricted and immediate use to cover risks and / or losses as soon as these occur.</p> <p>Does the supervisor in your jurisdiction evaluate whether issuances of capital instruments meet the qualifying conditions in the section below? And do institutions classify issuances of capital instruments as CET1 instruments only after permission is granted by the supervisor? Is there any derogation from this requirement and if so, which conditions apply?</p> <p><i>[Note: EU legislation requires a prior permission only in case a new type of instrument is issued. In case the provisions of the subsequent issuance are substantially the same, the permission is substituted by a notification requirement.]</i></p>		
	Answer	<i>Legislative references</i>	
	Qualifying Conditions for CET1 Instruments		
	Are the requirements and eligibility criteria similar to those listed below and do you impose similar conditions as those detailed in Article 28 of the CRR?	CRR Art. 28	CAP-10.8
	Answer	<i>Legislative references</i>	
5	<ul style="list-style-type: none"> Instruments are issued directly by the institution with the prior approval of the owners of the institution or, where permitted under applicable national law, the management body of the institution. 	CRR Art. 28(1)(a)	CAP-10.8
	Answer	<i>Legislative references</i>	
	<ul style="list-style-type: none"> Instruments are fully paid up and the acquisition of ownership of those instruments is not funded directly or indirectly by the institution. <p><i>[Note: EU legislation explicitly states that only the part of a capital instrument that is fully paid up shall be eligible to qualify as a CET1 instrument. Is there a similar requirement in your jurisdiction?]</i></p>	CRR Art. 28(1)(b)	
	Answer	<i>Legislative references</i>	

	<ul style="list-style-type: none"> - Instruments must meet all the following conditions: <ul style="list-style-type: none"> o qualify as capital o classified as equity within the meaning of applicable accounting framework o classified as equity capital for insolvency 	CRR Art. 28(1)(c)(i)(ii)(iii)	
	Answer	<i>Legislative references</i>	
	<ul style="list-style-type: none"> - Instruments are clearly and separately disclosed on the balance sheet 	CRR Art. 28(1)(d)	
	Answer	<i>Legislative references</i>	
	<ul style="list-style-type: none"> - Instruments are perpetual 	CRR Art. 28(1)(e)	
	Answer	<i>Legislative references</i>	
	<ul style="list-style-type: none"> - The principal amount of the instrument may not be reduced or repaid – with the following exceptions: <ul style="list-style-type: none"> o Liquidation of the institution o Discretionary repurchases, where the institution has received the prior permission of the competent authority⁵ o Resolution 	CRR Art. 28(1)(f)(i)(ii) 28(2) Art. 77-78	
	Answer	<i>Legislative references</i>	
	The provisions governing the instrument do not expressly nor indirectly indicate that the instruments would or might be reduced or repaid.	CRR Art. 28(1)(g), 28(2)	
	Answer	<i>Legislative references</i>	
	<ul style="list-style-type: none"> - Instruments must meet the following conditions with regard to distributions <ul style="list-style-type: none"> o No preferential treatment regarding the order of distribution payments and the terms governing the 	CRR Art. 28(1)(h) (i)-(vii) 28(3),	

⁵ Reduction of own funds instruments is covered in more detail under section 1.4.

	<p>instruments do not provide preferential rights to payment of distributions</p> <ul style="list-style-type: none"> ○ Distributions to holders must only be paid out of distributable items ○ No cap or other restrictions on the maximum level of distributions ○ Level of distributions is not determined on the basis of the amount for which the instruments were purchased at issuance ○ No obligation for institutions to make distributions to their holders ○ Non-payment of distributions does not constitute an event of default of the institution ○ Cancellation of the distributions imposes no restrictions on the institution <p><i>[Note: EU legislation provides that differentiated distributions shall only reflect differentiated voting rights. In this respect, higher distributions shall only apply to CET1 instruments with fewer or no voting rights. Are there similar provisions in your jurisdiction?]</i></p> <p><i>[Note: EU legislation recognises the possibility for the condition on full flexibility of payments to be met notwithstanding a subsidiary being subject to a profit and loss transfer agreement with its parent according to which the subsidiary is obliged to transfer, following the preparation of its annual financial statements, its annual result to the parent undertaking, where specific conditions are met. Are there similar provisions in your jurisdiction?]</i></p>	28(4)	
	Answer	Legislative references	
	<ul style="list-style-type: none"> - The CET1 instruments absorb the first and proportionately greatest share of losses, <i>pari passu</i> among each other <p><i>[Note: EU legislation considers this condition to be met notwithstanding write downs on principal amounts on AT1 and Tier 2 instruments. Are there similar provisions in your jurisdiction?]</i></p>	CRR Art. 28(1)(i) 28 (2)	
	Answer	Legislative references	CAP-10.8
	<ul style="list-style-type: none"> - The instruments rank below all other claims in the event of insolvency or liquidation 	CRR Art. 28(1)(j)	
	Answer	Legislative references	

	<ul style="list-style-type: none"> - The instruments entitle their owners to a claim on the residual assets of the institution, which, in the event of its liquidation and after the payment of all senior claims, is proportionate to the amount of such instruments issued and is not fixed or subject to a cap 	CRR Art. 28(1)(k)	
	Answer	<i>Legislative references</i>	
	<p>The instruments are not secured or subject to a guarantee that enhances the seniority of the claim by any of the following</p> <ul style="list-style-type: none"> - the institution or its subsidiaries - the parent undertaking of the institution or its subsidiaries - the parent financial holding company or its subsidiaries - the mixed activity holding company or its subsidiaries - the mixed financial holding company or its subsidiaries - any undertaking that has close links to the entities described above 	CRR Art. 28(1)(l) (i)-(vi)	
	Answer	<i>Legislative references</i>	
	<ul style="list-style-type: none"> - The instruments are not subject to any arrangement, contractual or otherwise, that enhances seniority of the claims under the instrument. 	CRR Art. 28(1)(m)	
	Answer	<i>Legislative references</i>	
6	Are there specific conditions for the eligibility of capital instruments issued by mutuals, cooperative societies, savings institutions and similar institutions?	CRR Art. 29	
	Answer	<i>Legislative references</i>	
7	<p>Consequences of the conditions of CET1 instruments ceasing to be met</p> <p>What are the consequences in your jurisdiction if the conditions pertaining to CET1 instruments are no longer met?</p>	CRR Art. 30	
	Answer	<i>Legislative references</i>	

3.1.1 Prudential Filters

8	If accounting is based on IFRS (or another set of accounting principles that allow the fair value measurement) in your jurisdiction, please specify whether prudential filters on securitized assets, cash flow hedges and additional value adjustments are considered in the computation of CET1 capital	CRR Art. 32-35	
Answer		<i>Legislative references</i>	
9	<p>With regard to <u>securitised assets</u>, do you require institutions to exclude from any elements of own funds any increase in its equity, including:</p> <ul style="list-style-type: none"> - An increase associated with future margin income? - Where the institution is the originator of the securitisation, net gains that arise from the capitalisation of future income from the securitised assets that provide credit enhancements to positions in the securitisation? 	CRR Art. 32(1)	CAP-30.14
Answer		<i>Legislative references</i>	
10	<p>With regard to <u>cash flow hedges and changes in the value of own liabilities</u> do you expect institutions not to include the following items in any element of own funds (or do you have any alternative items to those below that may change the value of own liabilities):</p> <ul style="list-style-type: none"> - The fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value, including projected cash flows? - Gains or losses on liabilities of the institution that are valued at fair value that result from changes in the own credit standing of the institution? - All fair value gains and losses on derivative liabilities of the institution that result from changes in the own credit risk of the institution? 	CRR Art. 33(1),(2),(3)	CAP-30.11-30.12, 30.15
Answer		<i>Legislative references</i>	
11	With regard to <u>additional value adjustments</u> do you require institutions to apply prudent valuation adjustments to own funds in relation to assets measured at fair value when calculating the	CRR Art. 34	

	amount of their own funds and deduct from CET1 the amount of any additional value adjustments		
	Answer	<i>Legislative references</i>	

3.1.2 Deductions from CET1 capital

This section relates to the principles applicable to deductions from CET1 capital and the categories of items deducted from CET1 capital

With regard to deductions from CET1 capital, both the CRR and Basel III framework establish as a guiding principle that those items for which realisation has not yet occurred or may occur only in the future (with a certain degree of uncertainty) cannot be considered fully loss absorbent and thus must be removed from the highest quality capital.

12	<p>Does your legislation require institutions to deduct the following items from CET1?</p> <ul style="list-style-type: none"> - Losses for the current financial year - Intangible assets, with the exception of prudently valued software assets the value of which is not negatively affected by resolution, insolvency or liquidation of the institution - Deferred tax assets that rely on future probability - For institutions using the IRB approach negative amounts resulting from the calculation of expected loss amounts - Defined pension benefit fund assets - Direct, indirect and synthetic holdings by an institution of own CET1 instruments - Direct, indirect and synthetic holdings of CET1 instruments of financial sector entities where those entities have a reciprocal cross holding with the institution - The applicable amount of direct, indirect and synthetic holdings by the institution of CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities - The applicable amount of direct, indirect and synthetic holdings by the institution of CET1 instruments of financial sector entities where the institution has a significant investment in those entities 	CRR Art. 36	CAP30
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	<ul style="list-style-type: none"> - The amount of items required to deduct from AT1 items [based on the corresponding deduction rules] that exceeds the AT1 capital of the institution - The exposure amount of the following items (qualifying holdings outside the financial sector, securitisation positions, free deliveries, positions for which an institution cannot determine a risk weight under the IRB approach, equity exposures under an internal models approach) which qualify for a risk weight of 1250% where the institution deducts that exposure amount from the amount of CET1 items as an alternative to applying a risk weight of 1250% (= total value of the exposure) - Any foreseeable tax charges relating to CET1 - The applicable amount of insufficient coverage for non-performing exposures - Any amount by which the current market value of the units or shares in CIUs underlying the minimum value commitment falls short of the present value of the minimum value commitment and for which the institution has not already recognized a reduction of CET1 item 		
	Answer	<i>Legislative references</i>	
13	<p>Does the legislation in your jurisdiction require institutions to deduct intangible assets in accordance with the following:</p> <ul style="list-style-type: none"> - The amount to be deducted would be reduced by the amount of associated deferred tax liabilities - The amount to be deducted shall include goodwill in the valuation of significant investments in the institution - The amount to be deducted would be reduced by the amount of the accounting revaluation of the subsidiaries' intangible assets derived from the consolidation of subsidiaries attributable to persons other than the undertakings included in the consolidation <p>Does the legislation in your jurisdiction provide for an exception from the up-front full deduction of software assets?</p> <p><i>[Note: With specific reference to software assets, the EU regulatory framework envisages the application of a prudential treatment based on i) their prudential amortisation over a period of maximum three years and ii) the full deduction from CET1 items</i></p>	<p>CRR Art. 37</p> <p>CRR Art.36(1)(b)</p>	<p>Basel III par. 67</p>

	<i>of the capitalised costs related to software assets under development until the beginning of their amortisation]</i>		
	Answer	<i>Legislative references</i>	
14	<p>With regard to deductions of deferred tax assets that rely on future profitability, does your legislation require that the amount of deferred tax assets that rely on future profitability be calculated without reducing it by the amount of the associated deferred tax liabilities of the institution, except when the following conditions are met?:</p> <ul style="list-style-type: none"> - The entity has a legally enforceable right under applicable national law to set off those current tax assets against current tax liabilities - The deferred tax assets and liabilities relate to taxes levied by the same taxation authority and on the same taxable entity. 	CRR Art. 38	
	Answer	<i>Legislative references</i>	
15	<p>With regard to tax overpayments, tax loss carry backs and deferred tax assets that do not rely on future profitability, does your jurisdiction exclude the following item from deduction from own funds (and instead subject these items to a risk weight):</p> <ul style="list-style-type: none"> - Tax overpayments by the institution for the current year - Current year tax losses of the institution carried back to previous years that give rise to a claim on, or a receivable from a central government, regional government or local tax authority <p>Do you require deferred tax assets that do not rely on future profitability to be limited to deferred tax assets which were created before 23 November 2016 and which arise from temporary differences where the conditions below are met? And do you require institutions to apply a risk weight of 100% to these deferred tax assets meeting the conditions below?:</p> <ul style="list-style-type: none"> - They are automatically and mandatorily replaced without delay with a tax credit in the event that the institution reports a loss in the annual financial statement, or in the event of insolvency or liquidation - An institution is permitted under national tax law to offset the tax credit referred to above against any tax liability of 	CRR Art. 39	CAP30.9

	<p>the institution or any under undertaking included in the same consolidation as the institution</p> <ul style="list-style-type: none"> - Where the amount of tax credits referred to above exceed the tax liabilities – any excess is replaced without delay with a direct claim on the central government where the institution is located 		
	Answer	<i>Legislative references</i>	
16	<p>Are institutions in your jurisdiction required to deduct defined benefit pension fund assets by the following:</p> <ul style="list-style-type: none"> - The amount of any associated deferred tax liability which can be extinguished if the assets become impaired or were derecognised - The amount of assets in the defined benefit pension fund which the institution has an unrestricted ability to use 	CRR Art. 41	CAP-30.16-30.17
	Answer	<i>Legislative references</i>	
17	<p>With regard to the deduction of holdings of own CET1 instruments. Shall own holdings of CET1 shall be calculated on the basis of a gross long position subject to the following exemptions?:</p> <ul style="list-style-type: none"> - Institutions may calculate the amount of holdings of own CET1 instruments on the basis of a net long position provided that: (i) the long and short positions are in the same underlying exposure and the short positions involve no counterparty risk; and, (ii) either both the long and short positions are held in the trading book or both are held in the non-trading book; - institutions shall determine the amount to be deducted for direct, indirect and synthetic holdings of index securities by calculating the underlying exposure to own Common Equity Tier 1 instruments included in those indices; - institutions may net gross long positions in own CET 1 instruments resulting from holdings of index securities against short positions in own CET 1 instruments resulting from short positions in the underlying indices, including where those short positions involve counterparty risk, provided that: (i) the long and short positions are in the same underlying indices; and (ii) either both the long and the short positions are held in the trading book or both are held in the non-trading book. 	CRR Art. 42	CAP-30.18

	Answer	<i>Legislative references</i>	
18	What is the definition of significant investment in a financial sector entity for deduction purposes?	CRR Art. 43	CAP30.22
	Answer	<i>Legislative references</i>	
19	<p>Is the deduction of an institution's holdings of CET1 instruments of financial sector entities and holdings of CET1 instruments of financial sector entities where those entities have a reciprocal cross holding with the institution (that the supervisors considers to have been designed to artificially inflate the own funds of the institution) subject to the following rules?</p> <ul style="list-style-type: none"> - holdings of CET 1 instruments and other capital instruments of financial sector entities are calculated on the basis of the gross long positions; - Tier 1 own-fund insurance items are treated as holdings of CET 1 instruments for the purposes of deduction. 	CRR Art. 44	CAP30.21
	Answer	<i>Legislative references</i>	
20	<p>Is the deduction of holdings of CET1 instruments of financial sector entities subject to the following rules?:</p> <ul style="list-style-type: none"> - they may calculate direct, indirect and synthetic holdings of Common Equity Tier 1 instruments of the financial sector entities on the basis of the net long position in the same underlying exposure provided that: (i) the maturity date of the short position is either the same as, or later than the maturity date of the long position or the residual maturity of the short position is at least one year; and (ii) either both the long position and the short position are held in the trading book or both are held in the non-trading book; - they shall determine the amount to be deducted for direct, indirect and synthetic holdings of index securities by calculating the underlying exposure to the capital instruments of the financial sector entities in those indices. 	CRR Art. 45	
	Answer	<i>Legislative references</i>	
21	What is the regime for deductions of holdings of CET 1 instruments where an institution does not have a significant investment in a financial sector entity?	CRR Art. 46	CAP30.22

	Answer	<i>Legislative references</i>	
22	<p>What is the regime for deductions of deferred tax assets that rely on future profitability and deductions of holdings of CET 1 instruments of financial sector entities where an institution has a significant investment ?</p> <p>Are such deductions subject to a threshold and how is this threshold calculated?</p>	<p>CRR Art. 47 CRR Art. 48</p>	<p>CAP30.32</p>
	Answer	<i>Legislative references</i>	
23	<p>Are the following items deducted from CET1 as an alternative to applying a 1250% (= total value of the exposure) risk weight?:</p> <ul style="list-style-type: none"> - qualifying holdings outside the financial sector; - securitisation positions; - free deliveries; - positions in a basket for which an institution cannot determine the risk weight under the IRB Approach; - equity exposures under an internal models approach. 	<p>CRR Art. 36(1)(k)</p>	
	Answer	<i>Legislative references</i>	
24	<p>What is the definition of qualifying holdings and of undertakings outside the financial sector in your jurisdiction for deduction purposes?</p>	<p>CRR Art. 89</p>	
	Answer	<i>Legislative references</i>	
25	<p>Qualifying holdings outside the financial sector :</p> <ul style="list-style-type: none"> - Is there any prohibition of qualifying holdings outside the financial sector? - If not, what are the applicable right weights/deductions applied to qualifying holding outside the financial sector? - Are there any exception to the above? 	<p>CRR Art. 89 CRR Art. 90 CRR Art. 91</p>	
	Answer	<i>Legislative references</i>	
26	<p>For the purpose of deductions of the relevant amount of insufficient coverage of non-performing exposures, please provide information on your legislative framework regarding items that are</p>	<p>CRR Art. 47a Art. 47b</p>	

	<p>regarded as exposures, the measurement of the exposure value and the definition of an exposure as non-performing?</p> <p>What is the definition of a forbearance measure in your jurisdiction and does your legislative framework requires at least specific types of situations to be recognised as forbearance measures?</p> <p>Are there any indicators used for determining that a forbearance measure has been adopted?</p> <p>How is the applicable amount of insufficient coverage is determined for the purpose of CET1 deductions?</p>	Art. 47c
	Answer	<i>Legislative references</i>

3.2 AT1 Instruments

AT1 items consist of AT1 capital instruments (whose eligibility criteria are defined in Art. 52 of the CRR) and share premium accounts related to those instruments.

AT1 instruments are perpetual and the provisions governing them do not include any incentive to redeem them; they rank below Tier 2 instruments in the event of liquidation or insolvency; they may be called, redeemed or repurchased only after meeting the conditions laid down in Art. 52 CRR. Moreover, upon occurrence of a trigger event, the principal amount shall be written down on a permanent or temporary basis or the instruments converted to CET1 instruments.

The institution has full discretion to cancel the distributions for an unlimited period and on a non-cumulative basis; and this cancellation of distributions does not constitute an event of default

27	<p>Do the AT1 components in your jurisdiction consist of the items below?</p> <ul style="list-style-type: none"> - Capital instruments meeting qualifying conditions (<i>see below</i>) and which do not qualify as CET1 or Tier 2 items - Share premium accounts related to such instruments <p>Do you consider other items as AT1 components in your jurisdiction?</p>	CRR Art. 51	CAP10.9-10.10
	Answer	<i>Legislative references</i>	
28	Are the qualifying conditions for AT1 instruments in your jurisdiction as follows?		CAP10.11
	Answer	<i>Legislative references</i>	
	Instruments are directly issued and fully paid up	CRR Art. 52(1)(a)	

<p><i>[Note: EU legislation explicitly states that only the part of a capital instrument that is fully paid up shall be eligible to qualify as an AT1 instrument.</i></p> <p><i>In addition, indirect issuances of AT1 instruments (e.g. issuances through special purpose entities) are not eligible anymore (past issuances of AT1 instruments through SPVs were considered as eligible AT1 instruments till 31 December 2021)</i></p> <p><i>Are there similar provisions in your jurisdiction?]</i></p>		
<p>Answer</p>	<p><i>Legislative references</i></p>	
<p>The instruments are not owned by any of the following;</p> <ul style="list-style-type: none"> - the institution or its subsidiaries - an undertaking in which the institution has a participation in the form of ownership, either direct or by way of control, of 20% of the voting rights or capital in that undertaking 	<p>CRR Art. 52(1)(b)</p>	
<p>Answer</p>	<p><i>Legislative references</i></p>	
<p>The acquisition of ownership of the instruments is not funded directly or indirectly by the institution</p>	<p>CRR Art. 52(1)(c)</p>	
<p>Answer</p>	<p><i>Legislative references</i></p>	
<p>The instruments rank below Tier 2 instruments in the event of the insolvency of the institution</p>	<p>CRR Art. 52(1)(d)</p>	
<p>Answer</p>	<p><i>Legislative references</i></p>	
<p>The instruments are not secured or subject to a guarantee that enhances the seniority of the claim by any of the following:</p> <ul style="list-style-type: none"> - the institution or its subsidiaries; - the parent undertaking of the institution or its subsidiaries; - the parent financial holding company or its subsidiaries; - the mixed activity holding company or its subsidiaries; - the mixed financial holding company or its subsidiaries; 	<p>CRR Art. 52(1)(e)</p>	

	- any undertaking that has close links with entities referred above;		
	Answer	<i>Legislative references</i>	
	The instruments are not subject to any arrangement, contractual or otherwise, that enhances the seniority of the claim under the instruments in insolvency or liquidation	CRR Art. 52(1)(f)	
	Answer	<i>Legislative references</i>	
	The instruments are perpetual and their governing provisions do not include incentives for the institution to redeem them	CRR Art. 52(1)(g)	
	Answer	<i>Legislative references</i>	
	Where the instruments include one or more early redemption options, including call options, the options are exercisable at the sole discretion of the issuer	CRR Art. 52(1)(h)	
	Answer	<i>Legislative references</i>	
	The instruments cannot be called, redeemed or repurchased within five years of issuance [except under specific conditions and always subject to competent authorities prior approval ⁶]	CRR Art. 52(1)(i) Art. 77-78	
	Answer	<i>Legislative references</i>	
	The governing provisions do not indicate explicitly or implicitly that the instruments may be called, redeemed or repurchased by the institution other than in the case of insolvency or liquidation and the institution does not otherwise provide such an indication	CRR Art. 52(1)(j)	
	Answer	<i>Legislative references</i>	

⁶ Reduction of own funds instruments is covered in more detail under section 1.4.

	The institution does not indicate explicitly or implicitly that the competent authority (supervisor) would consent to a request to call, redeem or repurchase the instruments	CRR Art. 52(1)(k)	
	<p>Distributions meet the following conditions⁷</p> <ul style="list-style-type: none"> - they are paid out of distributable items - the level of distributions made will not be amended on the basis of the credit standing of the institution or its parent undertaking - the institution has full discretion to cancel the distributions for an unlimited period and on a non-cumulative basis, and the institution may use such cancelled payment without restriction to meet its obligations as they fall due - cancellation of distributions does not constitute a default of the institution - the cancellation of distributions imposes no restrictions on the institution 	CRR Art. 52(1)(l)	
	Answer	<i>Legislative references</i>	
	The instruments do not contribute to a determination that the liabilities of an institution exceed its assets, where such a test constitutes a test of insolvency under national law	CRR Art. 52(1)(m)	
	Answer	<i>Legislative references</i>	
	The provisions governing the instruments require that, upon the occurrence of a trigger event, the principal amount of the instruments be written down on a permanent or temporary basis or the instruments be converted to CET 1 instruments	CRR Art. 52(1)(n)	
	Answer	<i>Legislative references</i>	
	The provisions governing the instruments include no feature that could hinder the recapitalisation of the institution	CRR Art. 52(1)(o)	
	Answer	<i>Legislative references</i>	

⁷ Further requirements regarding the distribution on AT1 instruments are discussed under Question 27.

	Does the law or contractual provisions governing the instruments require that, upon a decision by the resolution authority to exercise the write-down and conversion powers, the principal amount of the instruments is to be written down on a permanent basis or the instruments are to be converted to Common Equity Tier 1 instruments;	CRR Art. 52(1)(p)	
	Answer	<i>Legislative references</i>	
	The instruments may only be issued under, or be otherwise subject to the laws of a foreign jurisdiction where, under those laws, the exercise of the write-down and conversion powers is effective and enforceable on the basis of statutory provisions or legally enforceable contractual provisions that recognise resolution or other write-down or conversion actions;	CRR Art. 52(1)(q)	
	Answer	<i>Legislative references</i>	
	The instruments are not subject to set-off or netting arrangements that would undermine their capacity to absorb losses.	CRR Art. 52(1)(r)	
	Answer	<i>Legislative references</i>	
29	<p>Are there provisions in your jurisdiction that prohibit AT1 instruments to include in their terms and conditions any of the following?</p> <ul style="list-style-type: none"> – A requirement for distributions on the AT1 instruments to be made in the event of a distribution being made on an instrument issued by the institution that ranks to the same degree as, or more junior than, the Additional Tier 1 instrument, including a CET1 instrument (<i>i.e. dividend pusher</i>); – A requirement for the payment of distributions on CET1, AT1 or Tier 2 instruments to be cancelled in the event that distributions are not made on those AT1 instruments (<i>i.e. dividend stopper</i>); – An obligation to substitute the payment of interest or dividend by a payment in any other form. The institution shall not otherwise be subject to such an obligation. 	CRR Art. 53	
	Answer	<i>Legislative references</i>	

30	<p>What provisions are there in your jurisdiction governing the write down or conversion of AT1 instruments?</p> <ul style="list-style-type: none"> - A trigger event occurs when the CET 1 capital ratio of the institution falls below either of the following: <ul style="list-style-type: none"> - 5.125% - A level higher than 5.125% when determined by the institution and specified in the provisions governing the instrument - Institutions may specify one or more trigger events in addition to those above - If there are provisions requiring instruments to be converted to CET1 upon a trigger event those provisions should specify the following: <ul style="list-style-type: none"> - the rate of such conversion and a limit on the permitted amount of conversion - a range within the instruments will convert into CET1 - Where there are provisions requiring a write down upon a trigger event the write down shall reduce all the following: <ul style="list-style-type: none"> - the claim of the holder of the instrument in the event of insolvency or liquidation of the institution - the amount to be paid in the event of a call or redemption of the instrument - the distributions made on the instrument 	CRR Art. 54	
	Answer	Legislative references	
31	Does the write down or conversion of an AT1 instrument in your jurisdiction generate items that qualify as CET1 items under the applicable accounting framework?	CRR Art. 54(2)	
	Answer	Legislative references	
32	Are there provisions in your jurisdiction that allow the recognition in AT1 items only of the amount of AT1 instruments up to the minimum amount CET1 items that would be generated if the principal amount of the AT1 instruments were fully written down or converted into CET1 instruments?	CRR Art. 54(3)	
	Answer	Legislative references	

33	<p>Are there provisions in your jurisdiction that require that the aggregate amount of AT1 instruments that is required to be written down or converted upon the occurrence of a trigger event is no less than the lower of the following:</p> <ul style="list-style-type: none"> - the amount required to restore fully the Common Equity Tier 1 ratio of the institution to 5,125 %; - the full principal amount of the instrument. 	CRR Art. 54(4)	
	Answer	<i>Legislative references</i>	
34	<p>Where a trigger event has occurred does your jurisdiction require institutions to</p> <ul style="list-style-type: none"> - Inform the authorities - Inform the holders of the AT1 instruments - Write down the principle amount or convert the instruments into CET1 without delay, and no later than in one month 	CRR Art. 54(5)	
	Answer	<i>Legislative references</i>	
35	<p>In the event that the conditions for AT1 instruments cease to be met does your jurisdiction require that:</p> <ul style="list-style-type: none"> - The instrument shall immediately cease to qualify as an AT1 instrument - The part of the share premium accounts that relate to that instrument shall immediately cease to qualify as an AT1 item 	CRR Art. 55	
	Answer	<i>Legislative references</i>	

3.2.1 Deductions from AT1 items

36	<p>Does your jurisdiction require institutions to deduct the following from AT1 items:</p> <ul style="list-style-type: none"> - direct, indirect and synthetic holdings by an institution of own AT 1 instruments, including own AT1 instruments that an institution could be obliged to purchase as a result of existing contractual obligations - direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities with which the institution has reciprocal holdings that the supervisor 	CRR Art. 56	CAP30
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	<p>considers to have been designed to inflate artificially the own funds of the institution</p> <ul style="list-style-type: none"> - direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities, where an institution does not have a significant investment in those entities - direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment - the amount of items required to be deducted from Tier 2 items [based on the corresponding deduction rules] that exceeds the Tier 2 capital of the institution - any tax charge relating to AT1 items foreseeable at the moment of its calculation, except where the institution suitably adjusts the amount of AT1 items insofar as such tax charges reduce the amount up to which those items may be applied to cover risks or losses 		
	Answer	<i>Legislative references</i>	
37	<p>With regard to the deduction of holdings of own AT1 instruments; are own holdings of AT1 calculated on the basis of gross long positions subject to the following exemptions?</p> <ul style="list-style-type: none"> - Institutions may calculate the amount of holdings of own AT1 instruments on the basis of a net long position provided that: (i) the long and short positions are in the same underlying exposure and the short positions involve no counterparty risk; <u>and</u>, (ii) either both the long and short positions are held in the trading book or both are held in the non-trading book - institutions shall determine the amount to be deducted for direct, indirect and synthetic holdings of index securities by calculating the underlying exposure to own AT1 instruments included in those indices; - institutions may net gross long positions in own AT1 instruments resulting from holdings of index securities against short positions in own AT1 instruments resulting from short positions in the underlying indices, including where those short positions involve counterparty risk, provided that: (i) the long and short positions are in the same underlying indices; and (ii) either both the long and 	CRR Art. 56, 57	

	the short positions are held in the trading book or both are held in the non-trading book.		
	Answer	<i>Legislative references</i>	
38	Direct, indirect and synthetic holdings of AT1 instruments of financial sector entities (where the institution has a reciprocal cross holding that the supervisor considers having been designed to artificially inflate own funds): What are the provisions/deductions that would apply to the above in your jurisdictions?	CRR Art. 56, 58	
	Answer	<i>Legislative references</i>	
39	Direct, indirect and synthetic holdings of AT1 instruments of financial sector entities where an institution <u>does not</u> have a significant investment: What are the provisions/deductions that would apply to the above in your jurisdictions?	CRR Art. 59, 60	
	Answer	<i>Legislative references</i>	
40	Direct, indirect and synthetic holdings of AT1 instruments of financial sector entities where an institution does have a significant investment: What are the provisions/deductions that would apply to the above in your jurisdictions?	CRR Art. 56, 59	
	Answer	<i>Legislative references</i>	

3.3 Tier 2 Capital

41	Do the Tier 2 components in your jurisdiction consist of the items below? <ul style="list-style-type: none"> - capital instruments meeting the qualifying conditions below; and which do not qualify as CET1 or AT1 items - the share premium accounts related to those instruments; - for institutions calculating risk-weighted exposure amounts under the SA, general credit risk adjustments, gross of tax effects, of up to 1,25 % of risk-weighted exposure amounts; 	CRR Art. 62	CAP10.14-10.15, 10.17-10.18
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	<ul style="list-style-type: none"> - for institutions calculating risk-weighted exposure amounts under IRB, the excess of total eligible provisions over the expected loss, gross of tax effects, up to 0,6 % of risk-weighted exposure amounts. <p>Do you consider other items as Tier 2 components in your jurisdiction?</p>			
	Answer	<i>Legislative references</i>		
	In your jurisdiction, are the qualifying conditions of Tier 2 as follows?:	CRR Art. 63, 64, 77, 78		
	Answer	<i>Legislative references</i>		
	<p>Instruments are directly issued and fully paid up</p> <p><i>[Note: EU legislation explicitly states that only the part of a capital instrument that is fully paid up shall be eligible to qualify as a Tier 2 instrument.</i></p> <p><i>In addition, indirect issuances of Tier 2 instruments (e.g. issuances through special purpose entities) are not eligible anymore (past issuances of Tier 2 instruments through SPVs were considered as eligible Tier 2 instruments till 31 December 2021)</i></p> <p><i>Are there similar provisions in your jurisdiction?]</i></p>	CRR Art. 63(a)	CAP-10.16	
	Answer	<i>Legislative references</i>		
	<p>Instruments are not owned by any of the following:</p> <ul style="list-style-type: none"> - <i>the institution or its subsidiaries</i> - <i>an undertaking in which the institution has participation in the form of ownership, either direct or by way of control, of 20% or more of the voting rights or capital in that undertaking</i> 	CRR Art. 63(b)		
	Answer	<i>Legislative references</i>		
	The acquisition of ownership of the instruments is not funded directly or indirectly by the institution	CRR Art. 63 (c)		

Answer	<i>Legislative references</i>
The claim on the principal amount of the instruments under the provisions governing the instrument ranks below any claim from eligible liabilities	CRR Art. 63(d)
Answer	<i>Legislative references</i>
<p>The instruments are not secured or subject to a guarantee that enhances the seniority of the claim by any of the following;</p> <ul style="list-style-type: none"> - <i>the institution or its subsidiaries</i> - <i>the parent undertaking of the institution or its subsidiaries</i> - <i>- the parent financial holding company or its subsidiaries</i> - <i>-The mixed activity holding company or its subsidiaries</i> - <i>-The mixed financial holding company or its subsidiaries</i> - <i>any undertaking that has close links with the entities listed above</i> 	CRR Art. 63(e)
Answer	<i>Legislative references</i>
The instruments are not subject to any arrangement that otherwise enhances the seniority of the claim under the instrument.	CRR Art. 63(f)
Answer	<i>Legislative references</i>
The instruments have an original maturity of at least five years	CRR Art. 63(g)
Answer	<i>Legislative references</i>
The provisions governing the instruments do not include any incentive for their principal amount to be redeemed or repaid by the institution prior to their maturity	CRR Art. 63(h)
Answer	<i>Legislative references</i>

	Where the instruments include one or more early replacement options, including call options, the options are exercisable at the sole discretion of the issuer	CRR Art. 63(i)	
	Answer	<i>Legislative references</i>	
	The instruments may be called, redeemed, repaid or repurchased early, subject to conditions and not before five years [except under specific conditions and subject to supervisor's prior approval ⁸]	CRR Art. 63(j) Art. 77-78	
	Answer	<i>Legislative references</i>	
	The provisions governing the instruments do not indicate explicitly or implicitly that the instruments would be called, redeemed or repaid early, other than in the case of insolvency or liquidation of the institution, and the institution does not otherwise provide such an indication	CRR Art. 63(k)	
	Answer	<i>Legislative references</i>	
	The provisions governing the instruments do not give the holder the right to accelerate the future scheduled payment of interest or principal other than in the case of insolvency or liquidation of the institution	CRR Art. 63(l)	
	Answer	<i>Legislative references</i>	
	The level of interest or dividend payments due on the instruments will not be amended on the basis of the credit standing of the institution or its parent undertaking	CRR Art. 63(m)	
	Answer	<i>Legislative references</i>	
	Does the law or contractual provisions governing the instruments require that, upon a decision by the resolution authority to exercise the write-down and conversion powers, the principal amount of the instruments is to be written down on a permanent basis or the	CRR Art. 63(n)	

⁸ Reduction of own funds instruments is covered in more detail under section 1.4.

	instruments are to be converted to Common Equity Tier 1 instruments;		
	Answer	<i>Legislative references</i>	
	The instruments may only be issued under, or be otherwise subject to the laws of a foreign jurisdiction where, under those laws, the exercise of the write-down and conversion powers is effective and enforceable on the basis of statutory provisions or legally enforceable contractual provisions that recognise resolution or other write-down or conversion actions;		
	Answer		
	The instruments are not subject to set-off or netting arrangements that would undermine their capacity to absorb losses.	CRR. Art. 63(p)	
	Answer	<i>Legislative references</i>	
	Amortisation of Tier 2 instruments		
42	<p>Please explain what are the provisions in your jurisdiction with regard to amortisation of Tier 2 instruments?</p> <p><i>[Note: EU legislation establishes that the full amount of Tier 2 instruments with a residual maturity of more than 5 years shall qualify as Tier 2 items. Please explain to what extent and how the amount of Tier 2 instruments that qualify as Tier 2 items during the final five years of maturity of the instruments is calculated?]</i></p>	CRR Art. 64	CAP10.16
	Answer	<i>Legislative references</i>	
	Consequences of the conditions of Tier 2 instruments ceasing to be met		
43	<p>In the event that the conditions for Tier 2 instruments cease to be met, does your jurisdiction require that:</p> <ul style="list-style-type: none"> – The instrument shall immediately cease to qualify as a Tier 2 instrument – The part of the share premium accounts that relate to that instrument shall immediately cease to qualify as a Tier 2 item 	CRR Art. 65	
	Answer	<i>Legislative references</i>	

3.3.1 Deductions from Tier 2 items

44	<p>Does your jurisdiction require institutions to deduct the following from Tier 2 items:</p> <ul style="list-style-type: none"> - Direct, indirect and synthetic holdings by an institution of own Tier 2 instruments, including own Tier 2 instruments that an institution could be obliged to purchase as a result of existing contractual obligations? - Direct, indirect and synthetic holdings of Tier 2 instruments of financial sector entities with which the institution has reciprocal cross holdings that the supervisor considers having been designed to inflate artificially the own funds of the institution? - Direct, indirect and synthetic holdings of the Tier 2 instruments of financial sector entities, where an institution does not have a significant investment in those entities? - Direct, indirect and synthetic holdings of the Tier 2 instruments of financial sector entities where the institution has a significant investment? - The amount of items required to be deducted from eligible liabilities items [based on the corresponding deduction rules] that exceeds the eligible liabilities items of the institution. 	CRR Art. 66	
	Answer	<i>Legislative references</i>	
45	<p>With regard to the deduction of holdings of own Tier 2 instruments. Are own holdings of Tier 2 instruments calculated on the basis of gross long positions subject to the following exemptions?</p> <ul style="list-style-type: none"> - Institutions may calculate the amount of holdings of own Tier 2 instruments on the basis of a net long position provided that: (i) the long and short positions are in the same underlying exposure and the short positions involve no counterparty risk; <u>and</u>, (ii) either both the long and short positions are held in the trading book or both are held in the non-trading book - institutions shall determine the amount to be deducted for direct, indirect and synthetic holdings of index securities by calculating the underlying exposure to own Tier 2 instruments included in those indices; 	CRR Art. 67	

	- institutions may net gross long positions in own Tier 2 instruments resulting from holdings of index securities against short positions in own Tier 2 instruments resulting from short positions in the underlying indices, including where those short positions involve counterparty risk, provided that: (i) the long and short positions are in the same underlying indices; and (ii) either both the long and the short positions are held in the trading book or both are held in the non-trading book.		
	Answer	<i>Legislative references</i>	
46	Please describe the regime of deduction of direct, indirect and synthetic holdings of Tier 2 instruments of financial sector entities where an institution has a reciprocal cross-holding that the supervisor considers having been designed to artificially inflate the own funds of the institution	CRR Art. 66, 68	
	Answer	<i>Legislative references</i>	
47	Please describe the regime of deduction of direct, indirect and synthetic of holdings of Tier 2 instruments of financial sector entities where an institution has a significant investment	CRR Art. 66, 69	
	Answer	<i>Legislative references</i>	
48	Please describe the regime of deduction of direct, indirect and synthetic holdings of Tier 2 instruments of financial sector entities where an institution <u>does not</u> have a significant investment	CRR Art. 66,69, 70	
	Answer	<i>Legislative references</i>	

3.4 Eligible liabilities instruments

Eligible liabilities items consist of eligible liabilities instruments (whose eligibility criteria are defined in Art. 72b of the CRR) to the extent that they do not qualify as Common Equity Tier 1, Additional Tier 1 or Tier 2 items, and Tier 2 instruments with a residual maturity of at least one year, to the extent that they do not qualify as Tier 2 items.

49	Are banks in your jurisdiction required to meet combined buffer requirements in addition to minimum requirement for own funds and eligible liabilities? Are authorities entitled to restrict distributions on eligible liabilities and upon the occurrence of which event?	BRRD Article 16a	
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	Answer	<i>Legislative references</i>	
50	Is the broader population of institutions (G-SIIs and non G-SIIs) in your jurisdiction subject to a bank specific minimum requirement for own funds and eligible liabilities? Please specify the applicable requirements (level and eligibility conditions).	BRRD Article 45 to 45m	
	Answer	<i>Legislative references</i>	
51	What are the features (authorities, trigger, sequence) of the write down and conversions powers of your jurisdiction?	BRRD Article 59	
	Answer	<i>Legislative references</i>	
52	<p>Do the eligible liabilities items in your jurisdiction consist of the elements below?</p> <ul style="list-style-type: none"> - eligible liabilities instruments (whose eligibility criteria are defined in Art. 72b of the CRR) to the extent that they do not qualify as Common Equity Tier 1, Additional Tier 1 or Tier 2 items - Tier 2 instruments with a residual maturity of at least one year, to the extent that they do not qualify as Tier 2 items. <p>Do you consider other items as eligible liabilities items in your jurisdiction in particular for the purposes of compliance with internal TLAC or additional requirements to TLAC or compliance with MREL of institutions other than G-SIIs (Pillar II MREL)? What other criteria are considered with regards to eligible liabilities?</p>	<p>CRR Art. 72a(1), 92b(3)</p> <p>BRRD Art. 45b and 45f(2)</p>	
	Answer	<i>Legislative references</i>	
53	<p>Are the following liabilities excluded from eligible liabilities in your jurisdictions? Are any other liabilities excluded?</p> <p>(a) covered deposits;</p> <p>(b) sight deposits and short term deposits with an original maturity of less than one year;</p> <p>(c) the part of eligible deposits from natural persons and micro, small and medium-sized enterprises which exceeds the deposit guarantee scheme coverage level;</p> <p>(d) deposits that would be eligible deposits from natural persons, micro, small and medium-sized enterprises if they were not made through branches located outside the Union of institutions established in the Union;</p>	CRR Art. 72a(2)	Point 10 FSB TTS

	<p>(e) secured liabilities, including covered bonds and liabilities in the form of financial instruments used for hedging purposes that form an integral part of the cover pool and that in accordance with national law are secured in a manner similar to covered bonds, provided that all secured assets relating to a covered bond cover pool remain unaffected, segregated and with enough funding and excluding any part of a secured liability or a liability for which collateral has been pledged that exceeds the value of the assets, pledge, lien or collateral against which it is secured;</p> <p>(f) any liability that arises by virtue of the holding of client assets or client money including client assets or client money held on behalf of collective investment undertakings, provided that such a client is protected under the applicable insolvency law;</p> <p>(g) any liability that arises by virtue of a fiduciary relationship between the resolution entity or any of its subsidiaries (as fiduciary) and another person (as beneficiary), provided that such a beneficiary is protected under the applicable insolvency or civil law;</p> <p>(h) liabilities to institutions, excluding liabilities to entities that are part of the same group, with an original maturity of less than seven days;</p> <p>(i) liabilities with a remaining maturity of less than seven days, owed to:</p> <p>(i) systems or system operators designated in accordance with Directive 98/26/EC of the European Parliament and of the Council;</p> <p>(ii) participants in a system designated in accordance with Directive 98/26/EC and arising from the participation in such a system; or</p> <p>(iii) third-country CCPs recognised in accordance with Article 25 of Regulation (EU) No 648/2012;</p> <p>(j) a liability to any of the following:</p> <p>(i) an employee in relation to accrued salary, pension benefits or other fixed remuneration, except for the variable component of the remuneration that is not regulated by a collective bargaining agreement, and except for the variable component of the remuneration of material risk takers as referred to in Article 92(2) of Directive 2013/36/EU;</p> <p>(ii) a commercial or trade creditor where the liability arises from the provision to the institution or the parent undertaking of goods or services that are critical to the daily functioning of the institution's or parent undertaking's</p>		
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	<p>operations, including IT services, utilities and the rental, servicing and upkeep of premises;</p> <p>(iii) tax and social security authorities, provided that those liabilities are preferred under the applicable law;</p> <p>(iv) deposit guarantee schemes where the liability arises from contributions due in accordance with Directive 2014/49/EU;</p> <p>(k) liabilities arising from derivatives;</p> <p>(l) liabilities arising from debt instruments with embedded derivatives.</p>		
	Answer	<i>Legislative references</i>	
54	Are the qualifying conditions for eligible liabilities instruments in your jurisdiction as follows?	CRR Art. 72b	Points 9, 11 FSB TTS
	Answer	<i>Legislative references</i>	
	Instruments are directly issued or raised, as applicable, by an institution and are fully paid up	CRR Art. 72b(2)a	
	Answer	<i>Legislative references</i>	
	The instruments are not owned by any of the following: (i) the institution or an entity included in the same resolution group; (ii) an undertaking in which the institution has a direct or indirect participation in the form of ownership, direct or by way of control, of 20 % or more of the voting rights or capital of that undertaking;	CRR Art. 72b(2)(b)	
	Answer	<i>Legislative references</i>	
	the acquisition of ownership of the liabilities is not funded directly or indirectly by the resolution entity;	CRR Art. 72b(2)(c)	
Answer	<i>Legislative references</i>		

	the claim on the principal amount of the liabilities under the provisions governing the instruments is wholly subordinated to claims arising from excluded liabilities; that subordination requirement shall be met in any of the following situations: contractual subordination; statutory subordination; structural subordination.	CRR Art. 72b(2)(d)	
	Answer	<i>Legislative references</i>	
	The instruments are not secured or subject to a guarantee or any other arrangement that enhances the seniority of the claim by any of the following: - the institution or its subsidiaries; - the parent undertaking of the institution or its subsidiaries; - any undertaking that has close links with entities referred above;	CRR Art. 72b(2)(e)	
	Answer	<i>Legislative references</i>	
	the liabilities are not subject to set-off or netting arrangements that would undermine their capacity to absorb losses in resolution;	CRR Art. 72b(2)(f)	
	Answer	<i>Legislative references</i>	
	The provisions governing the liabilities do not include any incentive for their principal amount to be called, redeemed or repurchased prior to their maturity or repaid early by the institution, as applicable.	CRR Art. 72b(2)(g)	
	Answer	<i>Legislative references</i>	
	The liabilities are not redeemable by the holders of the instruments prior to their maturity (<i>see this question in combination with the questions on amortisation as per Art. 72c(2) CRR below</i>).	CRR Art. 72b(2)(h)	
	Answer		

	Where the liabilities include one or more early repayment options, including call options, the options are exercisable at the sole discretion of the issuer	CRR Art. 72b(2)(i)	
	Answer	<i>Legislative references</i>	
	The liabilities may only be called, redeemed, repaid or repurchased early subject to a permission of the resolution authority ⁹	CRR Art. 72b(2)(j)	
	Answer	<i>Legislative references</i>	
	The provisions governing the liabilities do not indicate explicitly or implicitly that the liabilities would be called, redeemed, repaid or repurchased early, as applicable by the resolution entity other than in the case of the insolvency or liquidation of the institution and the institution does not otherwise provide such an indication;	CRR Art. 72b(2)(k)	
	Answer	<i>Legislative references</i>	
	the provisions governing the liabilities do not give the holder the right to accelerate the future scheduled payment of interest or principal, other than in the case of the insolvency or liquidation of the resolution entity;	CRR Art. 72b(2)(l)	
	Answer	<i>Legislative references</i>	
	the level of interest or dividend payments, as applicable, due on the liabilities is not amended on the basis of the credit standing of the resolution entity or its parent undertaking;	CRR Art. 72b(2)(m)	
	Answer	<i>Legislative references</i>	
	For instruments issued after 28 June 2021 the relevant contractual documentation and, where applicable, the prospectus related to the issuance explicitly refer to the possible exercise of the write-down and conversion powers.	CRR Art. 72b(2)(n)	

⁹ Reduction of eligible liabilities instruments is covered in more detail under section 1.5

	Answer	<i>Legislative references</i>	
55	May the resolution authority permit liabilities, that are not subordinated to excluded liabilities in the hierarchy of claims in insolvency, to qualify as eligible liabilities instruments for the purposes of compliance with MREL Pillar I (TLAC)?? Please describe the applicable provisions and limitations.	CRR Art. 72b(3-5)	Point 11 FSB TTS
	Answer	<i>Legislative references</i>	
56	Are non-subordinated liabilities eligible for compliance with MREL Pillar II (additional requirement to TLAC for G-SIIs) or MREL for other institutions)?	BRRD Art. 45b(1)	
	Answer	<i>Legislative references</i>	
57	Are certain structured notes eligible for compliance with MREL Pillar II (additional requirement to TLAC for G-SIIs) or MREL for other institutions)?	BRRD Art. 45b(3)	
	Answer	<i>Legislative references</i>	

3.4.1 Amortisation of eligible liabilities instruments and consequences of instruments not meeting eligibility conditions

58	Does your jurisdiction provide that eligible liabilities instruments with a residual maturity of at least one year shall fully qualify as eligible liabilities items, and then do not qualify at all as eligible items after that?	CRR Art. 72c(1)	Point 9 FSB TTS
	Answer	<i>Legislative references</i>	
59	How are redemption options treated from the point of view of the maturity requirement, and in particular are the following requirements applicable in your jurisdiction: - where an eligible liabilities instrument includes a holder redemption option exercisable prior to the original stated maturity of the instrument, the maturity of the instrument shall be defined as the earliest possible date on which the holder can exercise the redemption option and request redemption or repayment of the instrument	CRR Art. 72c(2-4)	Point 9 FSB TTS

	<p>- where an eligible liabilities instrument includes an incentive for the issuer to call, redeem, repay or repurchase the instrument prior to the original stated maturity of the instrument, the maturity of the instrument shall be defined as the earliest possible date on which the issuer can exercise that option and request redemption or repayment of the instrument.</p> <p>- where an eligible liabilities instrument includes early redemption options that are exercisable at the sole discretion of the issuer prior to the original stated maturity of the instrument, but where the provisions governing the instrument do not include any incentive for the instrument to be called, redeemed, repaid or repurchased prior to its maturity and do not include any option for redemption or repayment at the discretion of the holders, the maturity of the instrument shall be defined as the original stated maturity</p>		
	Answer	<i>Legislative references</i>	
60	In the event that the conditions for eligible liabilities instruments cease to be met, does your jurisdiction require that the instrument shall immediately cease to qualify as an eligible liabilities instrument?	CRR Art. 72d	
	Answer	<i>Legislative references</i>	

3.4.2 Deductions from eligible liabilities items

61	<p>Does your jurisdiction require institutions to deduct the following from eligible liabilities items:</p> <ul style="list-style-type: none"> - holdings by an institution of own eligible liabilities instruments, - reciprocal cross holdings of eligible liabilities instruments of G-SIIs where the institution has a reciprocal cross holding designed to artificially inflate the loss absorption and recapitalisation capacity of the resolution entity - holdings of eligible liabilities instruments of G-SII entities, where an institution does not have a significant investment in those entities - holdings by the institution of eligible liabilities instruments of G-SIII entities where the institution has a significant investment, excluding underwriting positions held for five business days or fewer. 	CRR Art. 72e	Points 3 and 15 FSB TTS
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	Answer		
62	<p>With regard to the deduction of holdings of own eligible liabilities instruments, should own holdings of eligible liabilities instruments be calculated on the basis of a gross long position subject to the following exemptions?</p> <p>(a) institutions may calculate the amount of holdings on the basis of the net long position, provided that both the following conditions are met:</p> <p>(i) the long and short positions are in the same underlying exposure and the short positions involve no counterparty risk;</p> <p>(ii) either both the long and the short positions are held in the trading book or both are held in the non-trading book;</p> <p>(b) institutions shall determine the amount to be deducted for direct, indirect and synthetic holdings of index securities by calculating the underlying exposure to own eligible liabilities instruments in those indices;</p> <p>(c) institutions may net gross long positions in own eligible liabilities instruments resulting from holdings of index securities against short positions in own eligible liabilities instruments resulting from short positions in underlying indices, including where those short positions involve counterparty risk, provided that both the following conditions are met:</p> <p>(i) the long and short positions are in the same underlying indices;</p> <p>(ii) either both the long and the short positions are held in the trading book or both are held in the non-trading book.</p>	CRR Art. 72f	
	Answer		
63	<p>Holdings of eligible liabilities instruments of G-SII entities (where the institution has a reciprocal cross holding designed to artificially inflate the loss absorption and recapitalisation capacity of the resolution entity):</p> <p>What are the provisions/deductions that would apply to the above in your jurisdictions?</p>	CRR Art. 72g	
	Answer		
64	<p>Holdings of eligible liabilities instruments where an institution does not have a significant investment in a financial sector entity:</p> <p>What are the provisions/deductions that would apply to the above in your jurisdictions?</p>	CRR Art. 72i	

	Answer	
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3.5 Reduction of Own Funds and eligible liabilities

To reduce own funds and share premium accounts related to own funds (reduce, redeem, repurchase, distribute, reclassify, call, or repay), institutions must ask for permission to the competent authority (supervisor), and ensure an adequate level of own funds and eligible liabilities after the reduction (with specific requirements for either the replacement of the instrument by another one of equal or higher quality where necessary, or the demonstration that the institution, following the call, repurchase, repayment or redemption of the instrument, exceeds the quantitative requirements for own funds and eligible liabilities by a margin that the competent authority considers necessary).

Similar requirements are applicable, mutatis mutandis, to eligible liabilities, where the institution must ask for permission to the resolution authority.

65	<p>Is the reduction of own funds and share premium accounts related to own funds in your jurisdiction subject to prior supervisory permission?</p> <p>Please provide an overview on the conditions for the supervisor to grant permission for reducing own funds by making specific references to:</p> <ul style="list-style-type: none"> – Conditions that might require the institution to replace the instrument or share premium accounts with own funds instruments of equal or higher quality; – Condition that might require the institution to demonstrate that following the call, repurchase, repayment or redemption of the instrument or share premium accounts, the institution's own funds and eligible liabilities would exceed the regulatory requirements by a margin that the supervisor considers adequate <p>Please provide an overview on the conditions to grant permission for redemption (e.g. limits, deduction rules, deadlines to apply etc.)</p>	CRR Art. 77-78	
	Answer	<i>Legislative references</i>	
66	Is permission to reduce own funds before five years of the date of issue subject to special conditions? If so, which ones?	CRR Art. 78(4)	
	Answer	<i>Legislative references</i>	

67	<p>Is the reduction of eligible liabilities instruments in your jurisdiction subject to a resolution authority's permission?</p> <p>Please provide an overview on the conditions for the resolution authority to grant permission for reducing eligible liabilities instruments by making specific references to:</p> <ul style="list-style-type: none"> – Conditions that might require the institution to replace the eligible liabilities instrument with own funds instruments or eligible liabilities of equal or higher quality; – Condition that might require the institution to demonstrate that following the call, repurchase, repayment or redemption of the eligible liabilities instrument, the institution's own funds and eligible liabilities would exceed the regulatory requirements by a margin that the resolution authority, in agreement with the competent authority, considers necessary; – Conditions that might require the institution to demonstrate that a partial or full replacement of the eligible liabilities with own funds instruments is necessary to ensure compliance with the own funds requirements. <p>Please give an overview with regard to the conditions for reducing eligible liabilities instruments in your jurisdiction</p> <p>Please provide an overview on the conditions to grant permission for redemption, including applicable limits, deduction rules, deadlines to apply etc.</p>	CRR Art. 77-78a
	Answer	<i>Legislative references</i>

3.6 Minority Interests

Under the CRR, 'minority interest' means the amount of Common Equity Tier 1 capital of a subsidiary of an institution that is attributable to natural or legal persons other than those included in the prudential scope of consolidation of the institution.

Minority interests in excess of minimum capital requirements, including national systemic buffers, of each subsidiary cannot be counted within the group capital, according to the so-called "corresponding approach" (i.e. excess CET1 cannot be counted in CET1 capital, excess AT1 cannot be counted in AT1 and excess T2 cannot be counted in T2).

The prudential rationale behind this requirement is that while minority interest supports the risks taken by the subsidiary, it is not necessarily available to back the risks taken by the group. Therefore, excess capital above the minimum requirement of the subsidiary can be included in the group capital only in proportion to the minority share.

Please note that the relevant level of CET1 capital to be employed to calculate minority interests also includes the capital conservation buffer, countercyclical buffer and any systemic risk buffer that might be imposed by the competent authority.

Following the introduction of the TLAC framework the concept of minority interests has been extended to eligible liabilities within a narrow scope due to the specific nature of the resolution measures.

68	<p>What are the requirements in your jurisdiction for minority interests and their inclusion in CET 1 consolidated capital?</p> <p>Please describe any limits to the eligible issuers and to the amounts of minority interests to be computed in CET1 consolidated capital</p>	CRR Art. 81-84	CAP-10.20-10.21
	Answer	<i>Legislative references</i>	
69	<p>What are the requirements in your jurisdiction for minority interests and their inclusion in Tier 1 and Tier 2 capital and qualifying own funds?</p> <p>Please describe any limits to the eligible issuers and to the amounts of minority interests to be computed in consolidated Tier 1 and Tier 2 capital</p>	CRR Art. 85-88	CAP10.22-10.23
	Answer	<i>Legislative references</i>	
70	<p>Does your jurisdiction allow minority interests issued by a special purpose entity to be included in CET1, Tier 1 or Tier 2 capital?</p> <p><i>[Note: EU legislation allows for AT1 and Tier 2 instruments issued by special purpose entities, and the related share premium accounts, to be included until 31 December 2021 in qualifying AT1, Tier 1 or Tier 2 capital or qualifying own funds, only under specific conditions.]</i></p>	CRR Art. 83	
	Answer	<i>Legislative references</i>	
71	<p>What are the requirements in your jurisdictions for minority interests and their inclusion in eligible liabilities instruments?</p> <p>Please describe any limits to the eligible issuers and to the amounts of minority interests to be computed in consolidated eligible liabilities instruments.</p>		

	<p><i>[Note: EU legislation allows for liabilities that are issued by a subsidiary established in the EU that belongs to the same resolution group as the resolution entity, to be included in the consolidated eligible liabilities instruments of the institution that is the resolution entity, provided that the conditions set out in Article 88a CRR are met (eligibility criteria, bought by an existing shareholder not being part of the same resolution group, limited to the amount determined by subtracting the (in)direct subscribed amount from the parent undertaking from the requirement to hold MREL.]</i></p>	
	<p>Answer</p>	<p><i>Legislative references</i></p>

4. General Requirements, Valuation and Reporting and Disclosures

General Principles

The EU capital requirements regulation sets the minimum capital requirement as a ratio of RWAs. The total risk exposure amount, composed of RWA (credit risk), and the exposure measures for Market Risk, Operational Risk and other relevant risks ratio need to be fulfilled with high quality loss absorbing capital. The capital requirement should ensure either the going concern (i.e. business as usual and recovery phase) of the institution or allow an organized winding down, if necessary (“gone concern”). The total risk exposure amount is defined as the sum of the different risk categories; for each risk category, institutions can choose (within the limitations established by the CRR) an approach to calculate the risks.

	QUESTION	Art. CRR/CRD	Basel ref.
	Risks		
1	How do you determine the minimum capital requirements for risk in your jurisdiction? What categories of risk institutions are required to hold capital for?	CRR Art. 92(3)	
	Answer	<i>Legislative references</i>	
2	What are the provisions for the calculation and reporting requirements for own funds in your jurisdiction? i.e. reporting on own funds requirements and financial information; additional reporting requirements and are there any specific reporting requirements around losses stemming from exposures to immovable property etc. Please stipulate content, granularity and frequency of reporting requirements	CRR Art. 99-101	
	Answer	<i>Legislative references</i>	
3	Do institutions report on a standard template?	CRR Art. 99-101	
	Answer	<i>Legislative references</i>	

4	What are the provisions for disclosure requirements for own funds in your jurisdiction? Do institutions disclose on standardised templates and what is the frequency of disclosures?	CRR Art. 434(a)
	Answer	<i>Legislative references</i>

5. Credit Risk - Standardised method

General principles – ALL METHODS

Credit risk can be defined as the potential risk that institution's borrower or counterparty will fail to meet its obligations in accordance with agreed terms. The credit risk typically resides in assets in institutions' banking book (loans and debt instruments held to maturity) but it can also arise in the trading book as a counterparty credit risk.

The EU regulation requires institutions to classify all exposures to their obligors into exposure classes and differentiate them on the basis of the obligor's ability to meet its obligations. The risk-weighted exposure amounts are based on the exposure value and risk weights (assigned on the basis of exposures' classification and their credit quality). Depending on the sophistication of the approach applied the risk weight can be assigned following the standardised rules (Standardised Approach) or it can be determined by the institution on the basis of statistical methods (Internal Ratings-Based Approach – IRB Approach) where an institution estimates the Probability of Default (PD) and other risk components such as Loss Given Default (LGD), Exposure at Default (EAD) and Maturity of exposure [M].

In the Basel framework, Credit Risk (Standardised Method, IRB approach and Credit Risk Mitigation) is included in the "Basel II" set of provisions outlined in the CRE Standard (https://www.bis.org/basel_framework/standard/CRE.htm)

	QUESTION	Art. CRR/CRD	Basel ref.
1	How is the exposure value defined? Please specify both the case of an on-balance sheet and of an off-balance sheet item	CRR Art. 111	
	Answer	<i>Legislative references</i>	
	Please specify the risk weights assigned to the following exposures classes:		
2	<i>Central Governments/central banks</i>	CRR Art. 114	CRE 20.4-20.6
	Answer	<i>Legislative references</i>	
3	<i>Regional governments/local authorities</i>	CRR Art. 115	CRE20 Footnote 6
	Answer	<i>Legislative references</i>	
4	<i>Public sector entities</i>	CRR Art. 116	CRE20.8-20.9
	Answer	<i>Legislative references</i>	

5	<i>Multilateral development banks</i>	CRR Art. 117	CRE20.10
	Answer	<i>Legislative references</i>	
6	<i>International organisations</i>	CRR Art. 118	CRE20.7
	Answer	<i>Legislative references</i>	
7	<i>Institutions (credit institutions and investment firms)</i>	CRR Art. 120 and 130	CRE20.11-20.15
	Answer	<i>Legislative references</i>	
8	Are there any difference in risk weights between rated and unrated institutions as well as between short-term and long-term exposures. Please specify whether short-term maturity is referred to residual or to original maturity	CRR Art. 120 and 130	
	Answer	<i>Legislative references</i>	
9	<i>Corporates</i>	CRR Art. 122	CRE-20.17-20.19
	Answer	<i>Legislative references</i>	
10	<i>Retail exposures</i>	CRR Art. 123	CRE-20.20-20.22
	Answer	<i>Legislative references</i>	
11	<i>Residential properties secured by mortgages</i>	CRR Art. 125	CRE-20.23-20.24
	Answer	<i>Legislative references</i>	
12	<i>Commercial real estate secured by mortgages</i>	CRR Art. 126	CRE-20.25
	Answer	<i>Legislative references</i>	
13	<i>Default exposures</i>	CRR Art. 127	CRE-20.26-20.29
	Answer	<i>Legislative references</i>	
14	<i>High risk exposures</i>	CRR Art. 128	CRE-20.30-20.31
	Answer	<i>Legislative references</i>	
15	<i>Covered Bonds</i>	CRR Art. 129	
	Answer	<i>Legislative references</i>	

16	<p><i>Equity Exposures</i></p> <p>Please specify the approaches for calculating RWA for CIUs</p>	CRR Art. 132,132a, 132b,132c and 133	CRE-20.35
	Answer	<i>Legislative references</i>	
17	<p>Under the EU framework, we require that the competent authorities of a third country apply supervisory and regulatory arrangements equivalent to the European framework in order to allow banks to use of any preferential treatment (lower risk weights) recognised by the third country authorities for specific exposures located in third countries (e.g. central governments, regional governments, local authorities, credit institutions, investment firms, clearing houses, central banks). Does your jurisdiction allow a similar treatment? Under which conditions?</p>	CRR Art. 107, 114, 115, 116, 132, 142	CRE-20.5, 20.15
	Answer	<i>Legislative references</i>	
18	<p>How does your legislation define and qualify a Public Sector Entity?</p> <p>PSEs might be categorised based on one specific feature (namely revenue raising powers) or by focusing on the extent of guarantees provided by the central government.</p>	CRR Art. 4.1(8)	CRE 20 footnotes 5,6
	Answer	<i>Legislative references</i>	
19	How do you qualify retail exposures?	CRR Art. 123	CRE-20.21
	Answer	<i>Legislative references</i>	
20	Does your legislation envisage the possibility to increase risk weights for exposures secured by residential or commercial real estate mortgages? Please specify and provide the ranges if relevant	CRR Art. 124(2)	CRE-20.23-20.24
	Answer	<i>Legislative references</i>	
21	Is there a condition on cross dependence between the value of property and credit quality of the borrower? (i.e. the value of the property shall not materially depend upon the credit quality of the borrower AND the risk of the borrower shall not materially depend upon the performance of the underlying property or project)	CRR 125 (2.a 2b) CRR 126 (2.a 2.b)	

	Answer	<i>Legislative references</i>	
22	Which is the Loan to Value to qualify for the more favourable treatment of exposures secured by mortgages on residential property?	CRR 125 (2.d)	
	Answer	<i>Legislative references</i>	
23	Which is the Loan to Value to qualify for the more favourable treatment of exposures secured by mortgages on commercial property?	CRR art 126.2 and 126.3	CRE20 Footnote 12
	Answer	<i>Legislative references</i>	
24	How does your legislation define exposures that are in default?	CRR Art. 178	CRE20.26-20.29
	Answer	<i>Legislative references</i>	

6. Credit Risk - Internal Ratings Based (IRB) approach

General Principles – IRB approach

Under the Internal Ratings Based approaches, the risk weights can be determined by the institution on the basis of statistical methods (Internal Ratings-Based Approach – IRB Approach) used to estimate the Probability of Default (PD) and other risk components under the advanced IRB such as Loss Given Default (LGD), Exposure at Default (EAD) and Maturity of exposure [M]

In the Basel framework, Credit Risk (Standardised Method, IRB approach and Credit Risk Mitigation) is outlined in the CRE Standard (https://www.bis.org/basel_framework/standard/CRE.htm)

6.1 General Requirements

	QUESTION	Art. CRR/CRD	Basel ref.
1	Do institutions need to get prior permission to use the IRB approach?	CRR Art. 143 (1)(2)	CRE-30.1
	Answer	<i>Legislative references</i>	
2	Do institutions need to get prior permission for material changes of the rating systems or their range of application?	CRR Art. 143 (3)	
	Answer	<i>Legislative references</i>	
3	Which are the elements assessed and required by your authority to authorise the use of the IRB approach? Is there any requirement in terms of prior experience in using internal models?	CRR 144-145	
	Answer	<i>Legislative references</i>	
4	Which classes of exposures are envisaged in your legislation for IRB approach? Can you please specify the criteria used to assign exposures to each respective class?	CRR 147 (2)	CRE-30.5-30.33
	Answer	<i>Legislative references</i>	
5	In the EU regulation, institutions may be authorised by the competent authorities to use own estimates of LGDs and conversion factors for some class of exposures (Advanced-	CRR Art. 151	CRE-30.34-30.45

	IRB), or to use values set out in the Regulation (Foundation-IRB). Does your jurisdiction envisage both the F-IRB and the A-IRB approaches? Please provide details on the class of exposures for which the own estimate of LGDs is admitted		
	Answer	<i>Legislative references</i>	
6	Which is the procedure to implement the IRB Approach across different classes of exposure and business units?	CRR Art. 148	CRE-30.46-30.52
	Answer	<i>Legislative references</i>	
7	Under which condition is possible to revert to Standardised Approach once the IRB method has been authorised by the supervisor? Is supervisory approval needed in order to revert to a less sophisticated approach? (Y/N)	CRR Art. 149	
	Answer	<i>Legislative references</i>	
8	Under which conditions and for which exposures does your legislation envisage the possibility of permanent partial use, i.e. the use of Standardised Approach for some portfolios when the IRB approach has already been authorised for other portfolios?	CRR Art. 150	
	Answer	<i>Legislative references</i>	

6.2 Calculation of risk-weighted exposures amounts

9	Please provide details of the supervisory formula employed to calculate risk weighted exposure amounts to <u>corporates, institutions and central government and central banks</u> , including the formula for risk weighted exposure amounts for exposures in default.	CRR Art. 153(1)	CRE-31.3-31.6
	Answer	<i>Legislative references</i>	
10	Which correlation coefficient do you apply for financial entities? What are the criteria for the entities to apply a higher correlation coefficient?	CRR 153(2), 142(4)(5)	CRE-31.8
	Answer	<i>Legislative references</i>	
11	Is there adjustment allowed for small and medium-sized enterprises (SMEs)?	Art. CRR 153(4)	CRE-31.9-31.10

	Answer	<i>Legislative references</i>	
12	In EU, capital requirements for credit risk on non-defaulted exposures on SMEs shall be adjusted by a specific correction factor, as defined in Art. 501 CRR (“SME Supporting Factor”). Is there a similar treatment envisaged for exposures on SMEs or other classes of exposures/entities in your legislation?	Art. 501 CRR	
	Answer	<i>Legislative references</i>	
13	The European legislation allows for a special treatment of specialised lending transactions when banks are not able to estimate PDs. It puts forward a set of supervisory risk weights. Have you implemented any special treatment for specialised lending? If yes, which are the risk weights envisaged in your jurisdiction for specialised lending exposures under supervisory slotting approach?	Art. CRR 153(5)	CRE31.11, CRE-33
	Answer	<i>Legislative references</i>	
14	Which is the capital requirement for exposures secured by a guarantee or credit derivative subject to the double default effect? What are the conditions for the application of this treatment?	CRR 153(3)	CRE31.14- 31.17
	Answer	<i>Legislative references</i>	
15	Please provide details of the supervisory formula employed to calculate risk weighted exposures amount for <u>retail exposures</u> including the formula for risk weighted exposure amounts for exposures in default	CRR 154	CRE31.19- 31.24
	Answer	<i>Legislative references</i>	
16	In the EU retail exposures must fulfil several condition to be classified as “qualified revolving retail exposures (QRRE)” and to be subject to a risk-weight function with a lower correlation coefficient. Have you established a differentiate treatment for this type of exposures? How does your provisions define qualifying revolving retail exposures?	CRR Art. 154(4)	CRE31.21- 31.22, CRE30.24
	Answer	<i>Legislative references</i>	
17	Which are the conditions for purchased receivables to be eligible for retail treatment?	CRR Art. 154(5)	
	Answer	<i>Legislative references</i>	

18	What are the available methods for the calculation of risk weighted exposure amounts for <u>equity exposures</u> ? Please provide details of the supervisory formula employed to calculate risk weighted exposures amount for equity exposures for each of the available methods (simple risk weight, PD/LGD approach, internal models).	CRR 155	CRE.31.25-31.45
	Answer	<i>Legislative references</i>	
19	How is the risk weighted exposure amount for <u>other non-credit obligation assets</u> calculated?	CRR 156	
	Answer	<i>Legislative references</i>	
20	How is the risk weighted exposure amount for dilution risk of purchased receivables calculated?	CRR 157	
	Answer	<i>Legislative references</i>	

6.3 Calculation and treatment of expected loss amount

21	Please provide details of the calculation of the Expected Loss (EL) amount, including EL for exposures in default, specialised lending exposures under the supervisory slotting approach and equity exposures	CRR Art. 158	
	Answer	<i>Legislative references</i>	
22	Please provide details on the adjustments applied to own funds based on the difference between expected loss and provisions.	CRR Art. 159	
	Answer	<i>Legislative references</i>	

6.4 Estimation and use of risk parameters (PD, LGD, Maturity)

6.4.1 Corporates, institutions and central governments/central banks

23	What is the minimum value of PD depending on the exposure class? What is the value of PD for exposures in default?	CRR Art. 160 (1), 160(3),	
	Answer	<i>Legislative references</i>	
24	Under which conditions/requirements is unfunded credit protection (i.e. guarantees and credit derivatives) recognised in	CRR Art. 160(4),	

	the PD or LGD estimation? Please differentiate between institutions adopting F-IRB Method and institutions using own-LGD estimates (A-IRB)	160(5), 161(3)	
	Answer	<i>Legislative references</i>	
25	How are relevant risk factors (PD, LGD and maturity) for purchased corporate receivables estimated under the IRB Method?	CRR Art. 160(2), 160(6), 161(1)(e- f), 161(2)	
	Answer	<i>Legislative references</i>	
26	Under the F-IRB approach, could you please indicate which LGD values should be applied by institutions per different class of exposure?	CRR Art. 161(1)	CRE32.5- 32.6
	Answer	<i>Legislative references</i>	
27	In case of institutions that have not received permission to use on-LGD estimates (i.e. adopting F-IRB), could you please provide details of the calculation of Maturity for corporates, institutions, central government and central banks?	CRR 162(1)	CRE-32.39
	Answer	<i>Legislative references</i>	
28	In case of institutions that have received permission to use own-LGD estimates (i.e. adopting A-IRB), could you please provide details of the calculation of Maturity for corporates, institutions, central government and central banks?	CRR 162(2)	CRE.32.40- 32.42
	Answer	<i>Legislative references</i>	

6.4.2 Retail Exposures

29	What is the minimum value of PD? What is the value of PD for exposures in default?	CRR Art. 163(1), 163(2)	
	Answer	<i>Legislative references</i>	
30	Which are the requirements to be fulfilled for the estimation of LGD values? In particular, under which conditions/requirements	CRR Art. 163(4), 164(2-3)	

	is unfunded credit protection (i.e. guarantees and credit derivatives) recognised in the PD or LGD estimation?		
	Answer	<i>Legislative references</i>	
31	In case of retail exposures secured by residential property or commercial property are there any floors to the value of LGD? If yes, does your legislation envisage the possibility to increase LGD floors for exposures secured by residential or commercial real estate mortgages?	CRR Art. 164 (4), 164(6)	
	Answer	<i>Legislative references</i>	

6.4.3 Equity Exposures

32	How is the PD for equity exposures computed? Are here any minimum valued to be applied according to different types of equity exposures?	CRR Art. 165 (1)	
	Answer	<i>Legislative references</i>	
33	Which value of LGD is assigned to equity exposures?	CRR Art. 165 (2)	
	Answer	<i>Legislative references</i>	

6.5 Calculation of the exposure value

34	Please provide details about the calculation of exposure value depending on the exposure class	CRR 166, 167, 168	
	Answer	<i>Legislative references</i>	

6.6 Qualitative requirements for the application of the IRB approach

The CRR requires that institutions using IRB approaches have a number of qualitative requirements in place in terms of rating systems, risk quantification, validation of internal estimates, internal governance and oversight

35	Which are the requirements for the rating systems in terms of their structure, assignment of exposures to grades or pools, documentation and data maintenance? Please refer	CRR Art. 169-176	CRE-36.9-36.49
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	both to model development requirements and to the application of the model in the ongoing rating assignment processes.		
	Answer	<i>Legislative references</i>	
36	Which stress testing procedures do institutions need to have in place? Is there a requirement to regularly perform credit risk stress tests?	CRR Art. 177	CRE-36.50-36.54
	Answer	<i>Legislative references</i>	
37	What is the definition of default? How is materiality threshold for past due credit obligations specified? Is there any provision to define the “unlikeliness to pay” of an obligor?	CRR Art. 178	CRE- 36.69-36.74
	Answer	<i>Legislative references</i>	
38	Which are the overall requirements for estimations of risk parameters?	CRR Art. 179	CRE-36.63-36.68
	Answer	<i>Legislative references</i>	
39	Which are the specific requirements for estimation of Probability of Default (PD)	CRR Art. 180	CRE-36.78-36.84
	Answer	<i>Legislative references</i>	
40	Which are the specific requirements for estimation of Loss Given Default (LGD)	CRR 181	CRE-36.85-36.90
	Answer	<i>Legislative references</i>	
41	Which are the specific requirements for estimation of conversion factors?	CRR 182	
	Answer	<i>Legislative references</i>	
42	Which requirements are in place for the recognition of guarantees and credit derivatives (see also section on Credit Risk Mitigation)?	CRR 183	CRE-36.98-36.107
	Answer	<i>Legislative references</i>	
43	What are the conditions for purchased receivables to be included under the IRB Approach?	CRR 184	CRE-36.109-36.117

	Answer	<i>Legislative references</i>	
44	Which are the requirements for the validation of rating systems and estimates of risk parameters?	CRR Art. 185	CRE-36.118-36.123
	Answer	<i>Legislative references</i>	
45	Which are the minimum requirements for risk quantification that are applied for calculating capital charges under the internal model approach for equity exposures ?	CRR Art. 186	CRE-36.145
	Answer	<i>Legislative references</i>	
46	Which are the requirements for the risk management processes, policies procedures and controls for institutions applying internal models approach for equity exposures ?	CRR Art. 187	CRE-36.146
	Answer	<i>Legislative references</i>	
47	Which are the requirements for the validation and documentation of internal models for equity exposures ?	CRR Art. 188	CRE-36.147-36.154
	Answer	<i>Legislative references</i>	
48	Which are the requirements related to the IRB Approach for the senior management and management body of an institution? In particular, is there a requirement for the management body to approve all material aspects of the rating and estimation processes? What are the requirements with regard to the management reporting?	CRR Art. 189	CRE-36.55-36.57
	Answer	<i>Legislative references</i>	
49	Is there a requirement to have a “Credit Risk Control” function independent from originating/ renewing exposures, that should be responsible for the design, implementation, oversight and performance of the rating system and that should report directly to senior management?	CRR Art. 190	CRE-36.58-36.59
	Answer	<i>Legislative references</i>	
50	Is there a requirement for an internal or external audit unit to review at least annually the rating systems and its operations?	CRR Art. 191	CRE-36.60

7. Credit Risk Mitigation Techniques

General principles

Credit risk mitigation (CRM) techniques allow institutions to reduce credit risk associated with exposures held by them.

The CRR distinguishes two types of CRM techniques: (i) 'funded credit protection' and (ii) 'unfunded credit protection'. To this extent, Articles 4(1)(58) and 4(1)(59) of the CRR include, respectively, the following definitions¹⁰:

- 'funded credit protection' means a technique of credit risk mitigation where the reduction of the credit risk on the exposure of an institution derives from the right of that institution, in the event of the default of the counterparty or on the occurrence of other specified credit events relating to the counterparty, to liquidate, or to obtain transfer or appropriation of, or to retain certain assets or amounts, or to reduce the amount of the exposure to, or to replace it with, the amount of the difference between the amount of the exposure and the amount of a claim on the institution;
- 'unfunded credit protection' means a technique of credit risk mitigation where the reduction of the credit risk on the exposure of an institution derives from the obligation of a third party to pay an amount in the event of the default of the borrower or the occurrence of other specified credit events

According to the CRR, upon meeting specific requirements for the CRM, institutions are allowed to recognise the effects of the CRM in the calculation of the minimum capital requirements for credit risk.

In the Basel framework, Credit Risk (Standardised Method, IRB approach and Credit Risk Mitigation) is outlined in the CRE standard (https://www.bis.org/basel_framework/standard/CRE.htm)

¹⁰ A useful overview of the CRM Techniques in the European framework defined by the CRR is provided by the EBA Report on Credit Risk Mitigation Framework available here: <https://eba.europa.eu/documents/10180/2087449/EBA+Report+on+CRM+framework.pdf>

7.1 Credit Risk Mitigation under Standardised Approach (SA) and F-IRB approach

The following section focuses on Funded Credit Protection under both SA and F-IRB approaches. If some techniques and methods are available only in the F-IRB approach, it will be explicitly mentioned.

7.1.1 Funded Credit Protection (FCP)

a. General questions

	QUESTION	Art. CRR/CRD	Basel ref.
1	Under European legislation there are different CRM Techniques for funded credit protection (Financial Collateral, on balance sheet netting). Which techniques are recognised under your legislation?	CRR Art. 195, 196, 218	-
	Answer	<i>Legislative references</i>	
2	Under European legislation there are different CRM Methods for funded credit protection (Financial Collateral Simple Method, Financial Collateral Comprehensive Method, Financial Collateral for Master Netting Agreement). Which methods are recognised under your legislation?	CRR Art. 197	-
	Answer	<i>Legislative references</i>	

b. Requirements and eligibility criteria for different types of techniques/collateral

In the EU framework, for funded credit protection must fulfil certain requirements and eligibility criteria. In the questions below, please provide details about the requirements and the eligibility criteria in your jurisdiction. Please provide details about any differences in treatment

3	<u>i. ON BALANCE SHEET NETTING (OBSN)</u> - In case you recognise on balance sheet netting, is it limited to loans and deposits? Which are the requirements demanded to recognise this type of agreements (On-Balance Sheet Netting agreements)?	CRR Art. 195 and 205	CRE22.82-22.83
	Answer	<i>Legislative references</i>	
4	<u>iii. FINANCIAL COLLATERAL</u> - Which are the eligibility requirements for Financial collateral? For instance, legal	CRR Art. 207	CRE-22.9-22.19

	certainty, no material positive correlation between the credit quality of the obligor and the value of the collateral...		
	Answer	<i>Legislative references</i>	
5	ii. <u>MASTER NETTING AGREEMENTS (MNA)</u> – Do you recognise MNA? Which are the requirements for recognition of Master Netting Agreements? Which are the requirements under which MNAs recognized in other jurisdictions can be legally enforced in your jurisdiction? Have you defined any eligibility criteria for collateral under MNA?	CRR Art. 196, 206	CRE-22.69-22.70
	Answer	<i>Legislative references</i>	
<i>The CRR differentiates between the type of financial collateral that can be used under the Financial Collateral Simple Method and the Financial collateral Comprehensive Method. Please answer the two questions below</i>			
6	Which type of financial collateral is eligible for the purpose of credit risk mitigation under the Financial Collateral Simple Method?	CRR Art. 197	CRE-22.37
	Answer	<i>Legislative references</i>	
7	Which additional type of financial collateral (if any) is eligible for purpose of credit risk mitigation under the Financial Collateral Comprehensive Method?	CRR Art. 198	CRE-22.39
	Answer	<i>Legislative references</i>	
8	iv. <u>OTHER FUNDED CREDIT PROTECTION (Non-Physical Collateral)</u> – Under the CRR, Cash on deposit with a third party institution and life insurance instrument can be used as financial collateral under SA. Which other type of non-physical collateral is available for Funded Credit Protection? Under which requirements?	CRR Art. 200 and 212	
	Answer	<i>Legislative references</i>	
<i>Within the CRR framework, there are some forms of non-physical collateral that can be employed under F-IRB – <u>but not under SA</u> – when certain type of requirements are satisfied (questions 9-13)</i>			
9	Under the F-IRB approach, which additional type of collateral is eligible for purpose of credit risk mitigation? Which are the requirements?	CRR Art. 199, 208-210	CRE-36.129-36.140

	Answer	<i>Legislative references</i>	
10	Under the F-IRB approach, which are the eligibility requirements for Financial receivables?	CRR Art. 209	CRE-36.129
	Answer	<i>Legislative references</i>	
11	Under the F-IRB approach, do you envisage a special treatment for lease exposures? If yes, which conditions have you established to allow banks applying the special treatment?	CRR Art. 211	CRE-36.141-36.142
	Answer	<i>Legislative references</i>	
12	<u>v. PHYSICAL COLLATERAL</u> - Which are the eligibility requirements for Immovable property (Commercial Real Estate/Residential Real Estate)?	CRR Art. 124, 125, 126, 208	
	Answer	<i>Legislative references</i>	
13	Which are the eligibility requirements for other physical collateral (i.e. not residential or commercial real estate) to be used under the F-IRB approach? <i>(Please specify if other physical collateral is eligible under SA)</i>	CRR Art. 210	CRE-36.139-36.140
	Answer	<i>Legislative references</i>	
14	<u>vi. CREDIT-LINKED NOTES (CLN)</u> – Under the CRR, CLN are credit derivatives eligible and treated as funded credit protections. Are credit linked-notes eligible in your jurisdiction? If yes under which eligibility requirements?	CRR Art. 218	
	Answer	<i>Legislative references</i>	

c. The effects of funded credit protection

15	<u>i. ON BALANCE SHEET NETTING (OBSN)</u> – How are the effects of Funded Credit Protection calculated when On Balance Sheet Netting is employed?	CRR Art. 219	CRE-22.82, 22.40
	Answer	<i>Legislative references</i>	
16	<u>ii. MASTER NETTING AGREEMENTS (MNAs)</u> - Can you provide details of the Supervisory Formula employed to calculate the value of exposures in case of Master Netting Agreements under the Standardised Approach?	CRR Art. 220	CRE-22.72-22.73

	Answer	Legislative references	
17	Which are the conditions to include the effects of Master Netting Agreements when estimating exposure value under the Internal Models Approach? Can you please provide details of the formula to calculate the fully adjusted exposure value?	CRR Art. 221	CRE-22.76
	Answer	Legislative references	
<p><i>In the CRR framework, other than through OBSN and MNAs, the effects of using financial collateral for Funded Credit Protection can be calculated using either the Financial Collateral Simple Method (FCSM) or the Financial Collateral Comprehensive Method (FCCM). When using the STA approach, both FCSM and FCCM are available; when using the F-IRB approach, only the FCCM is available for the purposed of Funded Credit Protection.</i></p>			
	<u>iii. FINANCIAL COLLATERAL</u>		
18	<p><u>Under the FCSM</u>, the collateralised part of the exposure is assigned the risk weight that the institution would assign if it had a direct exposure to the collateral issuer, subject to a 20% floor, except in specific cases. The unsecured part of the exposure remains risk weighted as the original exposure.</p> <p>Which are the conditions/requirements to use the Financial Collateral Simple Method? Which are the risk weights to be employed?</p>	CRR Art. 222	CRE-22.78-22.80
	Answer	Legislative references	
19	<p><u>Under the FCCM</u>, the exposure value is reduced by the collateral amount after relevant volatility adjustments (or 'haircuts') are applied, and the resulting reduced exposure value is multiplied by the risk weight assigned to the original exposure as if it were not collateralised.</p> <p>How is the fully adjusted value of exposure taking into account both the volatility adjustment and the mitigating effect of collateral under the Financial Collateral Comprehensive Method? <i>(Please provide detail of the formula employed)</i></p>	CRR Art. 223	CRE-22.40-22.43
	Answer	Legislative references	
20	<u>Under the FCCM</u> , which are the standard supervisory volatility adjustments to be applied by institutions?	CRR Art. 224	CRE-22.44-22.47

20	<u>Under the FCCM</u> , are institutions allowed to use their own estimates of the volatility adjustment coefficient? Under which requirements?	CRR Art. 225	CRE-22.48-22.59
	Answer	<i>Legislative references</i>	
21	<u>Under the FCCM</u> , which is the formula used to estimate the volatility adjustment coefficient in case of longer frequency of re-margining/revaluation than the minimum?	CRR Art. 225(2), 226	CRE-22.63-22.65
	Answer	<i>Legislative references</i>	
22	<u>Under the FCCM</u> , which are the necessary conditions for setting a 0% coefficient of volatility adjustment (H)?	CRR Art. 227	CRE-22.66-22.67
	Answer	<i>Legislative references</i>	
23	<u>Under the FCCM</u> , how is the LGD applicable to a collateralised transaction computed under F-IRB approach?	CRR Art. 228	CRE32.9-32.11
	Answer	<i>Legislative references</i>	
24	<u>iv. OTHER (non-physical) FUNDED CREDIT PROTECTION</u> – How are the effects of unfunded credit protection calculated in case other non-physical collateral is employed?	CRR Art. 232	CRE.32.13-32.14
	Answer	<i>Legislative references</i>	
25	How are the effects of unfunded credit protection from using non-physical collateral calculated under F-IRB approach?	CRR Art. 229-230	CRE.32.13-32.14
	Answer	<i>Legislative references</i>	
26	Which is the methodology to determine the effective LGD of a collateralised transaction in case of pools of collateral?	CRR Art. 231	CRE.32.15
	Answer	<i>Legislative references</i>	
27	<u>v. PHYSICAL COLLATERAL</u> – How do your provisions calculate the effects of using physical collateral as Funded Credit Protection under the SA approach?	CRR Art. 124 125 126	
	Answer	<i>Legislative references</i>	

28	How do your provisions calculate the effects of using physical collateral as Funded Credit Protection under the F-IRB approach?	CRR Art. 229	
	Answer	<i>Legislative references</i>	
29	<u>vi. CREDIT-LINKED NOTES</u> – How is the effect of using Credit Linked Notes as collateral calculated (if CLN are allowed under you jurisdiction)?	CRR Art. 218, 228	
	Answer	<i>Legislative references</i>	

7.1.2 Unfunded Credit Protection (UFCP)

a. General questions

30	Which providers are eligible for unfunded credit protection (under the Standardised and under the F-IRB approaches)?	CRR Art. 201-202	CRE22.90
	Answer	<i>Legislative references</i>	
31	Which type of credit derivatives are eligible as collateral or unfunded credit protection for credit risk mitigation?	CRR Art. 204	CRE-22.88
	Answer	<i>Legislative references</i>	
32	Which type of equity derivatives are eligible as collateral or unfunded credit protection for credit risk mitigation?	CRR Art. 204a	
	Answer	<i>Legislative references</i>	

b. Requirements and Eligibility Criteria

33	Which are the eligibility common requirements for guarantees and credit derivatives?	CRR Art. 213	CRE22.84
	Answer	<i>Legislative references</i>	
34	Are sovereign and public sector counter-guarantees allowed in you jurisdiction? Under which conditions?	CRR Art. 214	CRE-22.96
	Answer	<i>Legislative references</i>	
35	Are there any additional eligibility requirements for guarantees to be recognised as a method of credit protection?	CRR Art. 215	CRE-22.85

	Answer	<i>Legislative references</i>	
36	Are there additional eligibility requirements for credit derivatives to be recognised as a mean of credit protection?	CRR Art. 216	CRE-22.86
	Answer	<i>Legislative references</i>	
37	Which are the eligibility requirement for credit protection be recognised under double-default within the IRB approach	CRR Art. 217	CRE-32.27-32-28
	Answer	<i>Legislative references</i>	

c. The effects of unfunded credit protection

In the UFCP framework under SA, the CRM effects may be recognised using the substitution approach, i.e. the risk weight of the secured part of the exposure is replaced with the risk weight associated with the protection provider as determined under the SA, while, for the unsecured part of the exposure, the risk weight of the original obligor is used.

Under the F-IRB, the substitution approach also applies, whereby, for the covered part of the exposure, the PD to be plugged in the risk weight function is that related to the protection provider or a PD between that of the borrower and that of the protection provider where a full substitution is deemed not to be warranted.

38	Which approach is adopted to calculate the effects of unfunded credit protection?	CRR Art. 233	
	Answer	<i>Legislative references</i>	
39	In case the unfunded credit protection is provided in a currency different from that in which the exposure is denominated, how is any adjustment carried out?	CRR Art. 233(3)	CRE-22.94
	Answer	<i>Legislative references</i>	
40	Which is the treatment of any credit protection in case the amount guaranteed is less than the amount of the exposure (proportional or tranche cover)?	CRR Art. 234	CRE-22.92-22.93
	Answer	<i>Legislative references</i>	
41	How is the risk weighted exposure amount computed in case UFCP is applied under the SA method?	CRR Art. 235	
	Answer	<i>Legislative references</i>	

42	How is the risk weighted exposure amount computed in case UFCP is applied under the F-IRB method?	CRR Art. 236	
	Answer	<i>Legislative references</i>	

7.1.3 Maturity Mismatches and Basket Techniques

43	How is the value of credit protection (both funded and unfunded) adjusted to consider any maturity mismatches?	CRR Art. 237-239	CRE22-97-22-100
	Answer	<i>Legislative references</i>	
44	In case of basket CRM techniques, which is the treatment envisaged for first-to-default credit derivatives	CRR Art. 240	CRE22-101-22.103
	Answer	<i>Legislative references</i>	
45	In case of basket CRM techniques, which is the treatment envisaged for nth-to-default credit derivatives	CRR Art. 241	CRE22-104-22.105
	Answer	<i>Legislative references</i>	

7.2 Credit Risk Mitigation under A-IRB approach

For exposures to which an institution applies the IRB approach with own estimates of LGDs and conversion factors, i.e. exposures under A-IRB, the institution may use CRM in accordance with Part Three, Title II, Chapter 3 of the CRR, mainly through adjustments of the LGD values.

7.2.1 Funded Credit Protection

46	Which are the eligibility requirements in terms of collateral management, legal certainty and risk management in case of Funded Credit Protection (FCP) other than Master Netting Agreements (MNA) and On-Balance Sheet Netting (OBSN)	Art. 181 (1)(f) CRR	
	Answer	<i>Legislative references</i>	

47	How are the effects of Master Netting Agreements (MNA) and On-Balance Sheet Netting (OBSN) recognised in the exposure value ¹¹ ?	CRR Art. 166(2)-(3)	
	Answer	<i>Legislative references</i>	
48	In case of Funded Credit Protection different from OBSN and MNA, how is FCP (collateral) recognised in the LGD modelling/adjustments?	CRR Art. 181(1) (c)-(g)	
	Answer	<i>Legislative references</i>	

7.2.2 Unfunded Credit Protection

49	Which are the legal certainty requirements for the assessment and eligibility of guarantees and credit derivatives?	Art. 183 (1) CRR	
	Answer	<i>Legislative references</i>	
50	In the EU, institutions may recognise the effects of UFCP by adjusting by adjusting PD or LGD estimates in accordance with Article 183 (2) and (3) of the CRR and under the constraint that the resulting adjusted risk weight should not be lower than the risk weight that the institution would assign to a comparable, direct exposure to the guarantor. How is UFCP recognised in the LGD and PD estimates in your jurisdiction?	CRR Art. 160(5), 163(4) 161(3), 164(2) and 183 (2-3)	
	Answer	<i>Legislative references</i>	
51	In the EU, institutions may recognise the effects of UFCP in accordance with Articles 153(3) of the CRR, the so-called “double default (DD)” formula. Can you please provide detail of the application of the double default formula I and the conditions for its application in your jurisdiction?	CRR Art. 153(3) and 154(2)	CRE31.14-31.16
	Answer	<i>Legislative references</i>	

¹¹ institutions should take into account all the requirements of Chapter 4 of CRR (i.e. for SA and F-IRB methods), including eligibility requirements and methods

8. Securitisation

General Principles

The Securitisation legislative Framework in the EU is composed of the Securitisation Regulation (Regulation (EU) 2017/2401 and Regulation (EU) 2021/557 amending Regulation (EU) 2017/2402) and the Capital Requirements Regulation (CRR and Regulation (EU) 2017/2401 and Regulation (EU) 2021/558 amending the securitisation section in the CRR). The Securitisation Regulation puts forward comprehensive rules applicable to all types of securitisations including due diligence, risk retention and transparency rules. It also specifies a set of criteria to identify simple, transparent and standardised (STS) securitisation. The amendments to the CRR specify risk weight treatment of securitisation exposures for banks and investment firms, for non-STS securitisation as well as for STS-securitisations, which are more risk sensitive, reflecting the specific features of STS securitisation.

The securitisation framework applies to all types of securitisations including: i) traditional securitisation which involves the economic transfer of the exposures being securitised by the transfer of ownership from the “originator” institution to a special purpose vehicle (SPV) and ii) “synthetic securitisation” which occurs when the transfer of credit risk is achieved by the use of credit derivatives or guarantees, and the exposures being securitised remain exposures of the originator institution.

The CRR employs the concept of “significant risk transfer”: it allows the originator of a securitisation transaction to exclude the securitised exposures from the calculation of its risk-weighted exposure amounts, while risk weighting any retained position in the securitisation transaction,¹² provided that the capital relief is justified by a significant transfer of risk (SRT) associated with the securitised exposures to third parties, i.e. provided that the transaction achieves regulatory SRT. The overarching principle for the concept of SRT is that any reduction in own funds requirements must be matched a by a transfer of risk that is significant and commensurate. The main focus of the supervisory assessments by the competent authorities is therefore to ensure that significant and commensurate risk transfer effectively occurs, so as to justify the capital relief achieved by the originator, not only according to the conditions set out in legislation, but also as regards the economic substance of each specific transaction.

For the relevant provisions on securitisation, please refer to the following:

Securitisation Regulation (EU) 2017/2402 (*henceforth Sec Reg*)

<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R2402&from=EN>

CRR and Regulation (EU) 2017/2401 amending CRR (*henceforth Am CRR*)

¹² In other words, it allows the originator of a securitisation transaction to use securitisation framework for calculation of capital on retained tranches, instead of using credit risk framework for calculation of capital on all underlying exposures,

<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R2401&from=EN>

[Regulation \(EU\) 2021/557 amending Regulation \(EU\) 2017/2402](#)

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R0557>

[Regulation \(EU\) 2021/558 amending the securitisation section in the CRR](#)

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R0558>

BCBS references

In the Basel framework, the Securitisation framework is outlined in the CRE standard (https://www.bis.org/basel_framework/standard/CRE.htm)¹³

8.1 Definitions

	QUESTION	Art. CRR/CRD	Basel ref.
1	<p>Is there an active securitisation market in your jurisdiction?</p> <p>If yes, please provide some information about the size and type of the market (synthetic, traditional, term, ABCP, types of asset classes securitised).</p> <p>If the market is not relevant, do you nevertheless have a regulation in place for it?</p>		
	Answer	<i>Legislative references</i>	
2	<p>Have you established specific rules for simple, transparent and standardised (STS) /simple, transparent and comparable (STC) securitisations in line with EU rules or Basel III?</p> <p>How would you intend to apply rules for EU-regulated entities within the STS securitisation framework (with application to banks, investors, sponsors, SPEs)?</p>	Sec and CRR	Reg Am 40.66-40.165
	Answer	<i>Legislative references</i>	

¹³ BCBS has also published a technical amendment for the capital treatment of securitisations of non-performing loans in 2020 <https://www.bis.org/bcbs/publ/d511.htm>

3	<p>How is the following terminology defined in your law:</p> <ul style="list-style-type: none"> - Securitisation (please note that in the EU the definition of securitisation is based on the concept of "tranching" rather than the issuance of securities and payments to investors) - Tranche (including first loss tranche, mezzanine tranche) - Traditional securitisation - Synthetic securitisation - Re-securitisation - Asset-backed commercial-paper programme (ABCP programme) - Asset-backed commercial paper transaction (ABCP transaction) - 'revolving securitisation' - Tranche - Securitisation position 	<p>CRR Art. 4, Sec Reg Art. 2(1), 2(4), 2(6) 2(9), 2(10), 2(13) and 2(18)</p> <p>Art 2(7), 2(8)</p> <p>Art 2(15), 2(16)</p>	<p>CRE 40.01-40.65</p>
	Answer	<i>Legislative references</i>	
4	<p>Are the following definitions set in your law? If yes, please provide details</p> <ul style="list-style-type: none"> - Securitisation special purpose entity (SSPE) - Originator - Sponsor - Original lender - Investor and/or institutional investor - Servicer 	<p>Sec Reg Art. 2(2), 2(3), 2(5), 2(11), 2(12), 2(13), 2(20)</p>	<p>CRE 40.01-40.65</p>
	Answer	<i>Legislative references</i>	
<p>In the EU we have established certain operational requirements and special capital treatment for securitisation containing the following features (see below). Please provide information about how these structural features are implemented in your jurisdiction.</p>			

5	How is the ' <u>liquidity facility</u> ' defined in your law? Do you have a special capital treatment for liquidity facilities?	Sec Reg Art. 2(14)	
	Answer	<i>Legislative references</i>	
6	How is 'early amortization' defined in your law?	Sec Reg Art 2(17)	
	Answer	<i>Legislative references</i>	
7	How is ' <u>credit enhancement</u> ' defined in your law? Does the CA in your jurisdiction check in case there is an implicit enhancement? If yes and there is implicit credit enhancement, do you require higher capital for that? Is the ' <u>excess spread</u> ' considered a credit enhancement? How is 'excess spread' defined in your law?	CRR Art 3 (65) CRR Art. 242(1) and Art. 248(1)(e)	CRE 40.01- 40.65
	Answer	<i>Legislative references</i>	
8	Please give the definition of ' <u>clean-up call options</u> '	CRR Art 1(9) CRR Art 242(1)	CRE 40.01- 40.65
	Answer	<i>Legislative references</i>	

8.2 Due diligence and transparency requirements

9	Do you have any restrictions for selling securitisation positions, especially when selling to retail clients?	Sec Reg Art 3	
	Answer	<i>Legislative references</i>	
10	Before investing in a securitisation, investors will be required to check that the credit-granting, risk retention and transparency requirements have been complied with and to	Sec Reg Art 5	

	carry out a due diligence assessment of the risks and structural features of the securitisation. What information needs to be disclosed to investors? Are there any due diligence requirements for institutional investors? If yes, please provide details		
	Answer	<i>Legislative references</i>	
11	What are the transparency requirements for originators, sponsors and SSPEs on securitisation? Is there any difference in transparency requirements for private and public securitisations?	Sec Reg Art 7	
	Answer	<i>Legislative references</i>	
12	Does your jurisdiction have any rules for risk retention (i.e. “skin in the game”)?	Sec Reg Art 6	
	Answer	<i>Legislative references</i>	
13	Are there any measures/sanctions in place in case the originator fails to meet transparency or any other e.g. (due diligence) requirement?	Sec Reg Art 32-34	
	Answer	<i>Legislative references</i>	

8.3 Simple, Transparent and Standardised (STS) securitisation

The EU equivalent for Basel’s STC securitisation is Simple, transparent and standardised (STS) securitisation, therefore the term STS is used in the following questions.

14	Are there any third parties that could assess the compliance to verify STS compliance? If yes, what are the conditions for the third party?	Sec Reg Art 27	
	Answer	<i>Legislative references</i>	

8.3.1 STS non-ABCP securitisation

15	In case your jurisdiction has implemented Basel STC (you answered 'yes' to Question 1), what are the requirements for 'simplicity' for traditional securitisation?	Sec Reg Art 20	CRE40.6 6- 40.165
	Answer	<i>Legislative references</i>	
16	What are the requirements relating to 'standardisation' for traditional securitisation?	Sec Reg Art 21	
	Answer	<i>Legislative references</i>	
17	What are the requirements (for originators and sponsors) relating to 'transparency' for traditional securitisation?	Sec Reg Art 22	
	Answer	<i>Legislative references</i>	
18	In case your jurisdiction has implemented Basel STC (you answered 'yes' to Question 1), what are the additional credit-risk related requirements for a securitisation transactions being eligible for the STC treatment (differentiated capital treatment) in an ABCP programme? Are 'fully supported ABCP programme' defined in your law? If yes, how?	CRR Art 243(1)	CRE40.6 6- 40.165
	Answer	<i>Legislative references</i>	

8.3.2 STS ABCP securitisation

19	Can an ABCP transaction be considered STS? If yes, what are the transaction level requirements?	Sec Reg Art 24	
	Answer	<i>Legislative references</i>	
20	Can an ABCP programme be considered STS? If yes, what are the main programme-level requirements?	Sec Reg Art 26	
	Answer	<i>Legislative references</i>	

21	Who can be a sponsor of the ABCP programme and what conditions does it have to meet before becoming a sponsor?	Sec Reg Art 25	
	Answer	<i>Legislative references</i>	
22	In case your jurisdiction has implemented Basel STC (you answered 'yes' to Question 1), what are the additional credit-risk related requirements for a securitisation transactions being eligible for the STC treatment (differentiated capital treatment) in a non-ABCP programme?	CRR Art 243(2)	
	Answer	<i>Legislative references</i>	

8.4 Credit risk transfer

23	In the EU where the originator has not transferred significant credit risk, it may not calculate risk-weighted exposure amounts for any position it may have in the securitisation. How is the recognition of significant risk transfer (SRT) granted in your jurisdiction (based on economic substance or legal form)?	Am CRR Art 109 (Art 247.2 CRR)	CRE40.24- 40.34
	Answer	<i>Legislative references</i>	
24	What are the conditions that the originator institution of a <u>traditional</u> securitisation need to meet in order to achieve significant risk transfer i.e. to be able to exclude underlying exposures from the calculation of a risk-weighted exposure? What tests does the securitisation transaction need to meet (e.g. quantitative tests, permission from the CA, commensurate test)	Am CRR Art 244(1)- (4)	
	Answer	<i>Legislative references</i>	
25	Are there any conditions that the originator institution of a <u>synthetic</u> securitisation need to meet in order to achieve significant risk transfer i.e. to be able to exclude underlying exposures from the calculation of a risk-weighted exposure? What tests does the securitisation transaction need to meet	Am CRR Art 245 (1)-(4)	

	(e.g. quantitative tests, permission from the CA, commensurate test)		
	Answer	<i>Legislative references</i>	
26	Where the securitisation includes revolving exposures and early amortisation provisions, the EU legislation considers that significant credit risk is transferred by the originator institution where the early amortisation provision fulfils certain operational requirements. Do you have any operational requirements for early amortisation provisions? If yes, what are the conditions?	Am CRR Art 246	
	Answer	<i>Legislative references</i>	

8.5 Prudential treatment of securitisation exposures

27	How is the exposure value of a securitisation position calculated?	Am CRR Art. 248	
	Answer	<i>Legislative references</i>	
28	Is there any recognition of CRM for securitisation positions? If yes, what are the conditions for it?	Am CRR Art. 249	CRE40.56- 40.65
	Answer	<i>Legislative references</i>	
29	An originator should not provide support, directly or indirectly, to the securitisation beyond its contractual obligations with a view to reduce potential or actual losses to investors. Have you established any conditions that determine the existence of implicit support?	Am CRR Art. 250	
	Answer	<i>Legislative references</i>	
30	What is the treatment of maturity mismatches in synthetic securitisations?	Am CRR Art. 252	

	Answer	<i>Legislative references</i>	
31	Under European legislation, banks decide between deduction from CET1 or applying 1250% RW on securitisation positions. Is there any possibility to deduct the exposure value of securitisation position from CET1 in case of securitisation positions under your legislation?	Am CRR Art. 253	
	Answer	<i>Legislative references</i>	
32	What approaches (SEC-IRBA, SEC-SA, SEC-ERBA) can be used to calculate capital requirements? If more than one, is there any hierarchy between the approaches?	Am CRR Art. 254	
	Answer	<i>Legislative references</i>	
33	Where an institution uses SEC-IRBA , how is K_{IRB} calculated? What are the conditions for its use? How are the risk-weighted exposure amounts calculated?	Am CRR Art. 255(1)- (5) Art. 258 Art. 259	CRE44
	Answer	<i>Legislative references</i>	
34	Where an institution uses SEC-SA , how is K_{SA} calculated? How are the risk-weighted exposure amounts calculated?	Am CRR Art 255 (6) Art 261	CRE41
	Answer	<i>Legislative references</i>	
35	How are the attachment point A and detachment point D determined?	Am CRR Art 256	CRE44
	Answer	<i>Legislative references</i>	
36	How do you determine the tranche maturity?	Am CRR Art 257	

	Answer	<i>Legislative references</i>	
37	In case SEC-ERBA is implemented in your jurisdiction, how are the risk-weighted exposure amounts calculated? Please differentiate between short term and long-term credit assessments.	Am CRR Art 263	CRE42
	Answer	<i>Legislative references</i>	
38	Have you implemented a special treatment for STS securitisation? If yes, please describe the main differences under SEC-IRBA, SEC-SA and SEC-ERBA.	Am CRR Art 260, 262, 264 and 270	CRE42.11- 42.14 CRE41.20- 41.22 CRE44.27- 44.29
	Answer	<i>Legislative references</i>	
39	Is the Internal Assessment Approach allowed under your legislation? What is the scope and operational requirements for Internal Assessment Approach? How are the risk-weighted exposure amounts calculated?	Am CRR Art 265, 266	CRE43
	Answer	<i>Legislative references</i>	
40	Are there any “caps” (maximum risk weights) for securitisation positions? If yes, which are they? Are there any specific conditions that need to be met?	Am CRR Art 267, 268	CRE40.50- 40.55
	Answer	<i>Legislative references</i>	
41	Is re-securitisation allowed in your jurisdiction? If yes, is there a different treatment of re-securitisation positions? If yes, please name the applicable risk weights and conditions/requirements. Do you impose any penalties?	Am CRR Art 269	
	Answer	<i>Legislative references</i>	

42	Are there any “floors” (minimum risk weights) for securitisation positions? If yes, which are they?		
	Answer	<i>Legislative references</i>	
43	Can the CA set additional risk weights in case an institution does not meet some of the requirements? If yes, please name them.	Am CRR Art 270a	
	Answer	<i>Legislative references</i>	
44	What are the requirements for the use of assessments by ECAIs?	Am CRR Art 270b- 270e	
	Answer	<i>Legislative references</i>	
45	How are own funds requirements calculated for instruments that are securitisation positions in a trading book?	Am CRR Art 337	
	Answer	<i>Legislative references</i>	

8.6 Structural features of securitisation transactions

46	<p>What are the market practices, supervisory expectations and regulatory treatment (if any) with respect to selected structural features of securitisation transactions:</p> <ul style="list-style-type: none"> - Excess spread - Amortisation structure: pro-rata/sequential - Cost of credit protection - Early termination clauses - Credit events - Credit protection payments 		
	Answer		

9. Operational Risk

General Principles

Under the CRR, “operational risk” (OpRisk) means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. Operational risk is a significant risk faced by institutions requiring coverage by own funds.

Operational Risk (OpRisk) is generally regarded as a highly volatile risk which makes it difficult to model or deliver a reliable prognosis. Nevertheless, it is generally agreed upon that OpRisk carries a significant share in the downfall of institutions. Due to the difficulty in projections and the accepted heavy tailed-ness of distribution the capital requirement should cover accumulated annual losses that will be exceeded once within 1000 years. In the AMA approach this should be achieved through individual risk calculation by the institution’s own model. In the other approaches, the calibration of the formula has to be at a comparable risk level.

With the implementation of a capital requirement for operational risk the regulator recognized that there are specific risks that are not linked to a portfolio. Therefore the calculation of a capital requirement is more based on P&L positions as a measure for the business activity, and less on balance sheet positions (like in Credit and Market Risk). This category covers a variety of risk types that are dealt with independently. Legal Risk, IT Risk, Compliance Risk, Risks from Outsourcing and Model Risk are all elements of OpRisk.

For the purpose of the calculation of the capital requirement business risk, strategic risk and reputation risk are not included, although for risk steering purposes they might be managed simultaneously.

In addition, sound principles of operational risk management, governance and risk management environment are expected to be in place, depending of the institutions’ nature, size and complexity.

In the Basel framework, Credit Risk (Standardised Method, IRB approach and Credit Risk Mitigation) is outlined in the OPE Standard (https://www.bis.org/basel_framework/standard/OPE.htm)

	Question	CRR Art.	Basel Par.
1	What is the definition of operational risk in your jurisdiction? Does it include legal risk and model risk? Is conduct risk covered by legal risk? Does operational risk exclude reputational/ strategic/ business risk?	CRR Art 4(52), CRD Art 85(1)	OPE-10.1

	Answer	<i>Legislative references</i>	
2	What is the approximate share of Op.risk in total capital requirements in your jurisdiction? Please split it by the used approach (as referred below in Q3, Q7 and Q14).		
	Answer	<i>Legislative references</i>	
3	Has Basic Indicator Approach (BIA) been implemented in your jurisdiction? Please list major divergences from Basel standards (if any).	CRR Art 315-316	OPE-20.2-20.4
	Answer	<i>Legislative references</i>	
4	<p>Are the own funds calculated under the BIA in the following manner?</p> <ul style="list-style-type: none"> The “average relevant indicator” (in Basel: ‘gross income’) is calculated as the sum of the positive relevant indicators of the three previous years divided by the number of years with positive relevant indicator during the past three years; Capital charge is 15% of “average relevant indicator” 	CRR Art 315 (1) and (4)	OPE-20.2
	Answer	<i>Legislative references</i>	
5	Is there any possibility to amend the calculations in exceptional circumstances? If yes, what are the conditions? (For example: due to mergers and acquisitions.)	CRR Art 315 (2) and (3)	
	Answer	<i>Legislative references</i>	
6	What are the items of the relevant indicator? Which corrections of the indicator are possible (e.g. exclude some expenses etc)? Please indicate also the accounting principles.	CRR Art 316 (1)	OPE-20.3
	Answer	<i>Legislative references</i>	

7	Has Standardised Approach (SA) been implemented in your jurisdiction? Please list major divergences from Basel Standards (if any).	CRR Art 317-318	OPE-25.1-25.4
	Answer	<i>Legislative references</i>	
8	<p>Are own funds calculated according to SA as follows:</p> <ul style="list-style-type: none"> • The relevant indicator of a year is distributed according to the Basel Business lines and multiplied with the corresponding beta factor (“business line capital charge”); • In any given year, the offsetting between negative “business line capital charges” and positive “business line capital charges” is allowed; • the “annual capital charge” is the maximum of the sum of “business line capital charges” of a year or zero; • The final OpRisk capital charge is the average of the “annual capital charges” of the previous three years? 	CRR Art 317 (2) and (3)	OPE-25.1-25.4
	Answer	<i>Legislative references</i>	
9	Are the business lines and corresponding beta factors under SA approach in your jurisdiction different from the Basel business lines? Are there any differences in the principles of business line mapping from the Basel Framework?	CRR Art 317 Table 2, CRR Art 318	OPE-25.4, 25.7, 25.16-25.25
	Answer	<i>Legislative references</i>	
10	<p>What are the qualifying criteria for using SA? Do they comprise of the following:</p> <ul style="list-style-type: none"> • Bank shall have in place an assessment and management system for operational risk (track relevant loss data, able to identify OpRisk exposure); • System shall be closely integrated into the risk management process (output shall be integral part of the process); • System of Reporting to senior management that reports to relevant functions within the institution? 	CRR Art 320	OPE-25.5, 25.6, 25.8

	Answer	<i>Legislative references</i>	
11	Has Alternative Standardised Approach (Alternative SA) been implemented in your jurisdiction?	CRR Art 319	OPE-25.9-25.15
	Answer	<i>Legislative references</i>	
12	What are the conditions for using Alternative SA?	CRR Art 319 (2)	OPE-25.9-25.15
	Answer	<i>Legislative references</i>	
13	How is ASA different from SA (if applicable)? (f.ex. a different normalised income multiplier on the nominal amount of loans and advances than 3.5%)	CRR Art 319	OPE-25.9-25.15
	Answer	<i>Legislative references</i>	
14	Has Advanced Measurement Approaches (AMA) been implemented in your jurisdiction? Please list major divergences from Basel Standards (if any).	CRR Art 312(2)-(3)	OPE-30.1-30.5
	Answer	<i>Legislative references</i>	
15	<p>What are the qualitative standards for the use of AMA? Does it comprise of the following:</p> <ul style="list-style-type: none"> • Measurement system is closely integrated into its day-to-day risk management process; • Existence of independent risk management function; • Regular reporting and procedures for appropriate corrective action; • Routines for ensuring compliance and policies for the treatment of non-compliance; • Regular reviews by internal or external auditors; • Sound and effective internal validation process; • Transparent and accessible data flows and processes? 	CRR Art 321	OPE-30.6-30.8

	Answer	<i>Legislative references</i>	
16	<p>What are the quantitative standards for the use of AMA? Does it comprise of the following:</p> <ul style="list-style-type: none"> • Potential severe tail events captured by adequate distribution functions achieving a sound standard of a 99.9% confidence interval over a one-year period (comprising of expected and unexpected loss); • Expected loss can be deducted in case it is adequately captured by internal business practices; • Use of all four data elements without exemptions (“internal data”, “external data”, “scenario analysis” and “business environment and internal control factors”); • Recognition of correlations where the correlation measurement system is sound; • Internally consistent measurement system; • Internal data: <ul style="list-style-type: none"> ○ Minimum historical observation period of 5 years; ○ Comprehensive internal loss data with an appropriate minimum loss threshold; ○ Credit risk related operational risk losses are collected only for management purposes; ○ Market risk related operational risk losses are collected for management and capital purposes? 	CRR Art 322	OPE-30.9-30.18
	Answer	<i>Legislative references</i>	
17	Are the institutions allowed to recognise the impact of insurance and/or other risk transfer mechanisms under AMA?	CRR Art 323(1)	OPE-30.19-30.21
	Answer	<i>Legislative references</i>	
18	If the institutions are allowed to recognise the impact of insurance and/or other risk transfer mechanisms, what are the conditions that the insurance mechanism needs to meet?	CRR Art 323(3)	

	Answer	<i>Legislative references</i>	
19	Are there any discounts or haircuts applied in the amount of insurance recognition?	CRR Art 323(4-5)	
	Answer	<i>Legislative references</i>	
20	Are loss events classified under AMA different from the Basel event types?	CRR Art 324, Table 3	
	Answer	<i>Legislative references</i>	
21	Can an institution revert back to a simpler/less sophisticated approaches? If yes, what are the conditions?	CRR Art 313	
	Answer	<i>Legislative references</i>	
22	Does you allow for a combined use of different approaches? If yes, what are the requirements for combined use?	CRR Art 314	
	Answer	<i>Legislative references</i>	
23	Are there any additional qualitative criteria for operational risk management to fulfil, i.e. in Basel Principles for Sound Management for Operational Risk (PSMOR) ¹⁴ ?		
	Answer	<i>Legislative references</i>	
24	Is Op.risk addressed under Pillar II? If yes, what is the practice in general (e.g. reports by banks, supervisory checks etc) ¹⁵ ?		OPE10 footnote 2
	Answer	<i>Legislative references</i>	
25	Are there any additional reporting requirements which could be used for the supervisory judgement (e.g. regular loss reporting) ¹⁶ ?		
	Answer	<i>Legislative references</i>	

¹⁴ In EU covered by different guidelines – e.g. Guidelines on internal governance

¹⁵ In EU covered by different guidelines/measures, e.g. SREP guidelines

¹⁶ CRR Art 99 (5) specified by COMMISSION IMPLEMENTING REGULATION (EU) No 680/2014 (see Article 5 of this ITS)

10. Market Risk

10.1 Trading book

	Questions	CRR	Basel
1	What is the definition of trading book in your jurisdiction?	CRR Art. 4(86), 102	RBC-25.1
	Answer	<i>Legislative references</i>	
2	How are the 'positions held with trading intent' defined in your jurisdiction?	CRR Art 4(85)	RBC-25.3
	Answer	<i>Legislative references</i>	
3	Do you have any waivers/thresholds for the treatment of trading book? If yes, which ones?	CRR Art 94	
	Answer	<i>Legislative references</i>	
4	What are the requirements for positions to be included in the trading book in your jurisdiction?	CRR Art. 103-104	
	Answer	<i>Legislative references</i>	
5	Do you have any requirements for prudent valuation for the positions in the trading book? If yes, please name the requirements and/or principles. Please also outline to which extent prudent valuation requirements result in deductions from CET1, and what is the approximate ratio of total additional valuation adjustments which are deducted from capital as a result of the prudent valuation framework to total fair-valued assets and liabilities for banks in your jurisdiction.	CRR Art 105, COM DR 2016/101	CAP-50
	Answer	<i>Legislative references</i>	
6	What is the definition of the correlation trading portfolio in your jurisdiction?	CRR Art 338	MAR-10.10

	Answer	<i>Legislative references</i>
7	Does your jurisdiction intend to implement the FRTB? If yes, could you provide a general timeline for its implementation?	
	Answer	
8	If your jurisdiction intends to implement the FRTB, how do you intend to implement it? Please also list potential divergences from Basel that your jurisdiction is expecting to introduce when implementing the FRTB.	
	Answer	
9	Are institutions in your jurisdiction subject to any reporting requirements for market risk stemming from the FRTB? If yes, what do institutions need to report regarding the FRTB and from when?	CRR2 Art 325a, 430b
	Answer	

10.2 Methods measuring market risks

Market risk is defined as a risk of losses in on and off-balance-sheet positions arising from movements in market prices. The risks subject to this requirement are i) the risks pertaining to interest rate related instruments and equities in the trading book and ii) foreign exchange risk and commodities risk throughout the bank. Under Regulation (EU) No 575/2013 (i.e. the Capital Requirements Regulation – CRR), an institution may calculate own funds requirements for market risk in accordance with either i) the Standardised Measurement Method (SMM), also referred as the Standardised Method (SM), ii) the Internal Models Approach (IMA) subject to supervisory approval, or iii) in case the institution qualifies for the “small trading book business” derogation it may calculate the capital requirements for position risk of debt and equity instruments in accordance with credit risk rules.

Under the **Standardised method (SM)** the institution should calculate the capital requirements for different classes separately (interest, equity, currencies and commodities) and add the results arithmetically. The Regulation (EU) No 575/2013 (CRR) includes the market risk framework as set out in Basel II and 2.5.

10	Is offsetting of positions between institutions belonging to the same group for the purposes of calculating consolidated capital requirements allowed in your jurisdiction (Y/N)? If yes, please name any conditions that you have for offsetting.	CRR Art 325	
	Answer	<i>Legislative references</i>	
11	Does your jurisdiction allow for standardised measurement method (SM) as set out in Basel Standards for the calculations of capital requirements of market risk (building block approach that includes addressing specific risk and general risk for debt instruments and equities and also foreign exchange risk, commodities risk and risk of options)? Please list any major divergences.	CRR Art 92(3) (b) and (c) and 92(4) CRR Art 334-361	
	Answer	<i>Legislative references</i>	
12	Does your jurisdiction allow for the application of internal model approach (IMA) ? Please list any major divergences from Basel Standards (Basel 2.5).	CRR Art 362, 363	
	Answer	<i>Legislative references</i>	
13	Can an institution revert to a less sophisticated approach than the standardised approach or the internal models approach (i.e. a simplified approach not envisaged in the Basel standards)? If yes, what are the conditions for the usage of such simplified approach?		
	Answer	<i>Legislative references</i>	

10.2.1 Standardised Method

a. Interest rate risk

Specific risk			
14	How is the capital charge for the specific risk for <u>non-securitisation debt instruments</u> calculated? Please list any divergences from Basel Standards.	CRR Art 336 (incl table 1)	MAR-20.4-20.6
	Answer	<i>Legislative references</i>	

15	Are there any specific conditions for the instruments issued by a government that would receive 0% or 20% under Standardised Approach for credit risk?		
	Answer	<i>Legislative references</i>	
16	How are the own funds requirements for the specific risk for <u>securitisation debt instruments</u> in the trading book calculated? Are the risk weights aligned with the treatment in the banking book?	CRR Art 337	
	Answer	<i>Legislative references</i>	
17	What positions can be included in the correlation trading portfolio?	CRR Art 338(1),(3)	MAR-10.10
	Answer	<i>Legislative references</i>	
18	Are there any positions that cannot be included in the correlation trading portfolio?	CRR Art 338(2)	MAR-10.10
	Answer	<i>Legislative references</i>	
19	How are the own funds requirements for the correlation trading portfolio calculated?	CRR Art 338(4)	MAR-20.21
	Answer	<i>Legislative references</i>	
20	How are the capital requirements calculated for positions hedged by credit derivatives?	CRR Art 346	
	Answer	<i>Legislative references</i>	
21	Are there own funds requirements for collective investment undertakings (CIUs)? If yes, what risk weights are applied?	CRR Art 348	
	Answer	<i>Legislative references</i>	
22	In case there are OF requirements for CIUs, and the institution is aware of the underlying investments, can the own funds requirements for position risk (specific and general risk) be calculated by any of the following ways:	CRR Art 349, 350	

	<p>a) The positions in CIUs are allowed to be treated as positions in underlying investments of the CIU, i.e. 'look through' approach?</p> <p>b) The positions in CIUs can be assumed to replicate the composition and performance of an external index or fixed basket of equities or debt securities in case the purpose of the CIU is to replicate the index or fixed basket of equities or debt securities?</p> <p>In case any of the methods above are allowed, are there any conditions that the CIU needs to meet, for example:</p> <p>a) CIU's prospectus (or equivalent) needs to include:</p> <ul style="list-style-type: none"> i. the categories of assets the CIU is allowed to invest in, ii. where investment limits apply, relative limits and methodologies to calculate them, iii. where leverage is allowed, the maximum level of leverage, iv. a policy to limit counterparty credit risk where concluding OTC derivatives transactions or securities borrowing or lending is allowed, <p>b) the business of the CIU shall be reported in half-yearly and annual reports in order to assess assets, liabilities, income and operations over reporting period,</p> <p>c) the shares or units of the CIU are redeemable in cash, out of the undertaking's assets, on a daily basis at the request of the unit holder,</p> <p>d) investments in the SIU are segregated from the assets of the CIU manager,</p> <p>e) Investing institution has adequate risk assessment of the CIU,</p> <p>f) CIUs are managed by persons who are supervised in accordance with the applicable law to undertakings for collective investment in transferable securities (UCITS) or equivalent.</p>		
	Answer	<i>Legislative references</i>	
General market risk			

23	Are both principal methods, i.e. the maturity-based method and duration-based method allowed in your jurisdiction?	CRR Art 339, 340	
	Answer	<i>Legislative references</i>	
Maturity method			
24	Are the time-bands and weights the same as in Table 2 of Art 339? If not, please list any divergences.	CRR Art 339	MAR- 20.25
	Answer	<i>Legislative references</i>	
25	Are the factors of horizontal disallowance the same as in CRR Art 339(7)?	CRR Art 339(7)	MAR- 20.27
	Answer	<i>Legislative references</i>	
Duration method			
26	Is the duration method applied the same way as set out in Basel, including the time bands and assumed changes in yield? Please list any divergences.	CRR Art 340	MAR- 20.28
	Answer	<i>Legislative references</i>	
27	Are capital charges for derivatives calculated and treated in the same manner as set out in the CRR: <ul style="list-style-type: none"> - Netting - Interest rate futures and forwards - Options and warrants - Swaps - Interest rate risk on derivative instruments - Credit derivatives 	CRR Art. 327-332	
	Answer	<i>Legislative references</i>	

b. Equity position risk

28	How are the equity positions treated for the purposes of capital requirements (net-long, net-short positions, different national markets etc)?	CRR Art 341-342	MAR- 20.40- 20.41
	Answer	<i>Legislative references</i>	

29	What is the risk weight for specific risk?	CRR 342	Art	MAR- 20.42
	Answer	<i>Legislative references</i>		
30	What is the risk weight for general market risk?	CRR 343	Art	MAR- 20.42
	Answer	<i>Legislative references</i>		
31	Is there a specific treatment for stock indices? If yes, please describe the treatment?	CRR 344	Art	
	Answer	<i>Legislative references</i>		
32	Do you have specific treatment for underwriting?	CRR 345	Art	
	Answer	<i>Legislative references</i>		

c. Foreign exchange risk

33	How is the capital charge for foreign exchange (FX) risk calculated in your jurisdiction (net open position in a currency)?	CRR 352	Art	MAR- 20.52- 20.61
	Answer	<i>Legislative references</i>		
34	Do you have any <i>de minimis</i> threshold below which there is no capital charge for FX risk? If yes, please name the threshold and any other specificities regarding this.	CRR 351	Art	
	Answer	<i>Legislative references</i>		
35	Is there a specific treatment for structural FX? If yes, what are the general criteria to grant the permission for waiving structural FX positions?	CRR 352(2) ¹⁷	Art	MAR- 10.4- 10.6
	Answer	<i>Legislative references</i>		

¹⁷ The EBA also published specific Guidelines on Structural FX, to complement these CRR provisions (https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Guidelines/2020/GLs%20on%20the%20treatment%20of%20structural%20FX/886962/Guidelines%20on%20structural%20FX.pdf)

36	Do you have any requirements or separate treatment regarding closely correlated currencies? If yes, please describe the main features.	CRR Art 354	MAR- 20.52- 20.61
	Answer	<i>Legislative references</i>	

d. Commodities risk

37	Which methods (maturity ladder approach, simplified approach etc) can be used in your jurisdiction to measure commodities risk?	CRR Art 359-360	
	Answer	<i>Legislative references</i>	
38	Is there any threshold, for example <i>de minimis</i> or are there certain positions, where the capital charge is not applied? Please list all that apply.		
	Answer	<i>Legislative references</i>	
39	If applicable, is maturity ladder approach applied in the same manner as set out in CRR Art 359? Please name any divergences.	CRR Art 359	MAR- 20.67- 20.70
	Answer	<i>Legislative references</i>	
40	If applicable, is simplified approach applied in the same manner as set out in CRR Art 360? Please name any divergences.	CRR Art 360	MAR- 20.71- 20.72
	Answer	<i>Legislative references</i>	
41	Is there any other method used in your jurisdiction? If yes, please describe it briefly.		
	Answer	<i>Legislative references</i>	

e. Risk of options

The treatment of options is set out in the CRR Articles 329, 352 and 358 and is further specified under Commission Delegated Regulation 528/2014 (Henceforth COM DR 528), which can be found under the following link: <https://eur-lex.europa.eu/legal-content/GA/TXT/?uri=CELEX:32014R0528>.

This Regulation 528/2014 sets out the three methods for the determination of own funds for market risk in relation to non-delta risk (simplified approach, delta-plus method and scenario approach) as set out in Basel Standards 718LiV-718LXiX.

42	Which of these three methods can be used for the market risk charge for options in your jurisdiction?		
	Answer	<i>Legislative references</i>	
43	If applicable, is the simplified approach applied in the same manner as set out in Basel MAR-20.75? Please name any divergences.	COM DR 528/2014	MAR- 20.75
	Answer	<i>Legislative references</i>	
44	If applicable, is the delta-plus method applied in the same manner as set out in Basel MAR-20.76? Please name any divergences.	COM DR 528/2014	MAR- 20.76
	Answer	<i>Legislative references</i>	
45	If applicable, is the scenario approach applied in the same manner as set out in MAR-20.80? Please name any divergences.	COM DR 528/2014	MAR- 20.80
	Answer	<i>Legislative references</i>	

10.2.2 Internal models approach

46	If internal models are allowed in your jurisdictions, what are the general criteria to grant a permission to use IMA in a bank? Is there a requirement that for the position to be included in the IMA model, it needs to cover a significant share of the positions?	CRR Art 363	MAR-30.2- 30.4
	Answer	<i>Legislative references</i>	
47	What are the qualitative standards that the bank needs to have in place to obtain an authorisation to use IMA, for example: i) Internal model needs to be closely integrated into daily risk management process, ii) Requirement to have risk control unit that is independent from trading units and reports directly to the management,	CRR Art 368	MAR-30.5

	<p>iii) Institution's management body and senior management are actively involved in the risk-control process and daily reports produced by the risk control unit are reviewed by the level of management with sufficient authority to enforce reductions of positions,</p> <p>iv) Sufficient number of skilled staff in the use of sophisticated internal models, trading, risk control, audit and back-office areas,</p> <p>v) Established procedures for monitoring and ensuring compliance with documented set of internal policies and controls concerning the overall operation of its internal models,</p> <p>vi) Frequent rigorous stress testing programme conducted, including reverse stress tests.</p>		
	Answer	<i>Legislative references</i>	
48	How are own funds requirements calculated when using an internal model approach (i.e. the inclusion of different components, such as VaR, stressed VaR, incremental risk charge IRC, correlation trading and standardised method)?	CRR Art 364	
	Answer	<i>Legislative references</i>	
49	What are the requirements and parameters for the calculation of value-at-risk (VaR)?	CRR Art 365	
	Answer	<i>Legislative references</i>	
50	Does your jurisdiction have a requirement to calculate Stressed VaR? If yes, what are the requirements/parameters? If not, will a requirement be in place and by when?	CRR Art 365 (2)	
	Answer	<i>Legislative references</i>	
51	What are the requirements for back-testing and which multiplication factors are used?	CRR Art 366, table 1	
	Answer	<i>Legislative references</i>	
52	What are the requirements on risk measurement that the institution's internal models need to have?	CRR Art 367	

	Answer	<i>Legislative references</i>	
53	In case there are requirements for stress testing what are they?	CRR Art 368(9)	
54	What are the requirements for internal validation of the model?	CRR Art 369	
	Answer	<i>Legislative references</i>	
55	Are there any additional requirements for the modelling of specific risk in internal model?	CRR Art 370	
	Answer	<i>Legislative references</i>	
56	Does your jurisdiction require for an Incremental Risk Charge (IRC) for institutions that use IMA? If yes, what is the scope of IRC?	CRR Art 372, 373	
	Answer	<i>Legislative references</i>	
57	What are the requirements for the internal IRC model?	CRR Art 374-376	
	Answer	<i>Legislative references</i>	
58	What are the requirements for correlation trading?	CRR Art 377	
	Answer	<i>Legislative references</i>	

10.3 Settlement risk

Settlement risk is the risk stemming from transactions that remain unsettled after their due delivery date, so that there might be a difference between the agreed settlement price and its current market value. If such a difference implies a loss for the institution, it must be accounted for as a capital requirement.

1	Is there a capital requirement for settlement risk in your jurisdiction?	CRR Art 378-380	CRE70
	Answer		

2	If yes, which transactions are included in the calculation of the capital requirement for settlement risk?	CRR Art 378	CRE70
	Answer		
3	How are the capital requirements for the settlement risk calculated? Please include the multiplication factors that are used.	CRR Art 378, table 1	CRE70
	Answer		
4	What is the treatment of free deliveries?	CRR Art 379, table 2	CRE70
	Answer		
5	Are there any waivers or exceptions applied for settlement risk in your jurisdiction?	CRR Art 380	CRE70
	Answer		

10.4 CVA risk

CVA (Credit Valuation Adjustment) Risk is defined as the risk of losses arising from changing CVA values in response to changes in counterparty credit spreads and market risk factors that drive prices of derivative transactions and SFTs. CVA reflects the adjustment of default risk-free prices of derivatives and securities financing transactions (SFTs) due to a potential default of the counterparty.

The calculation of CVA also takes into account certain risk mitigants such as netting and collateral arrangements and certain offsetting hedges. Thus, the actual risk that is taken into account is the one that remains after these mitigants have been factored in.

1	Is there a capital requirement for credit valuation adjustment (CVA) risk in your jurisdiction?	CRR Art 381	MAR50
	Answer		
2	If yes, please outline which transactions are in scope of the capital requirement for CVA risk.	CRR Art 382	MAR50
	Answer		

3	<p>Are there transactions with specific counterparties that are excluded from the scope of the capital requirement for CVA risk?</p> <p>Please in particular outline any transactions that are included in the scope of the capital requirement for CVA risk under the Basel standards but which are excluded from the scope of the capital requirement for CVA risk in your jurisdiction, if any.</p>	Art 382	MAR50
	Answer		
4	Which methods (e.g. Standardised Method and Advanced Method) can be used in your jurisdiction to calculate the capital requirement for CVA risk?	CRR Art 383, 384	MAR50
	Answer		
5	Are there any other methods allowed for the calculation of the capital requirement for CVA risk?	CRR Art 385	
	Answer		
6	Are the methods implemented as set out in Basel standards? Please list any divergences.	CRR Art 383, 384	MAR50
	Answer		
7	<p>Does your jurisdiction intend to implement the Basel III post-crisis reforms on CVA risk applicable as of 1 January 2023?</p> <p>If yes, could you provide a general timeline for their implementation?</p>		MAR50 as applicable since 1 January 2023
	Answer		
8	If your jurisdiction intends to implement the Basel III post-crisis reforms on CVA risk applicable as of 1 January 2023, how do you intend to implement them? Please also list potential divergences from Basel that your jurisdiction is expecting to introduce when implementing the Basel III post-crisis reforms on CVA risk.		MAR50 as applicable since 1 January 2023
	Answer		

9	Are institutions in your jurisdiction subject to any reporting requirements for CVA risk stemming from the Basel III post-crisis reforms on CVA risk applicable since 1 January 2023? If yes, what do institutions need to report for the purposes of these reforms and from when?		MAR50 as applicable since 1 January 2023
	Answer		

10.5 Counterparty credit risk (CCR)

Counterparty Credit Risk (CCR) is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. An economic loss would occur if the transactions or portfolio of transactions with the counterparty has a positive economic value at the time of default. Unlike a firm's exposure to credit risk through a loan, where the exposure to credit risk is unilateral and only the lending bank faces the risk of loss, CCR creates a bilateral risk of loss: the market value of the transaction can be positive or negative to either counterparty to the transaction. The market value is uncertain and can vary over time with the movement of underlying market factors.

Since the credit crisis of 2007 onwards and the failures of large institutions, CCR has been considered by most market participants to be a key financial risk. CCR arises on products such as derivatives, securities financing transactions (SFTs), and long settlement transactions.

CCR contains both elements of credit and market risk, and its peculiarities call for a separate treatment. A major difficulty in its calculation is the uncertainty of future exposure and the relative complexity of the distribution for different scenarios of market risk factors driving the exposure.

1	Which transactions are in the scope of the capital requirement for CCR?	Art 271	CRE51
	Answer		
2	Which methods – e.g. Standardised Approach for Counterparty Credit Risk (SA-CCR), Internal Model Method (IMM) – can be used in your jurisdiction to measure CCR exposures?	CRR Art 274-280, 283-298	CRE52, CRE53
	Answer		
3	The EU framework includes two methods to calculate CCR exposures that are not included in the Basel standards, i.e. the Simplified SA-CCR and the Original Exposure Method (OEM). Do you have any methods that are not included in	CRR Art 281, 282	

	the Basel standards? If yes, please also outline the main features of those methods.		
	Answer		
4	Are there any conditions to employ the methods available in your jurisdiction to measure CCR exposures? If yes, please outline any conditions that apply for using any of those methods.	CRR Art 273a and 283	CRE51, CRE53
	Answer		
5	Can an institution use a combination of CCR methods? If yes, what are the conditions?	CRR Art 273	CRE51
	Answer		
6	Which methods can be used in your jurisdiction to calculate CCR exposures of SFTs?	CRR Art 220, 221, 222, 223, 283	CRE51
	Answer		
7	Which methods – e.g. Standardised Approach (SA), Internal Ratings Based Approach (IRB) – can be used in your jurisdiction to risk-weight CCR exposures?	CRR Art 111, 166	CRE51
	Answer		
8	Is the SA-CCR implemented as set out in Basel standards? Please list divergences if any.	CRR Art 274 to 280	CRE52
	Answer		
9	Is the IMM implemented as set out in Basel standards? Please list divergences if any.	CRR Art 283 to 298	CRE53
	Answer		

10	Is the exposure value under IMM determined at the level of netting set? Please describe how is the exposure value determined.	CRR Art 284, 285	CRE53
	Answer		
11	Are there any requirements for the management of CCR in case the institution uses IMM? If yes, what are they?	CRR Art 286-288, 293, 294	CRE53
	Answer		
12	Are there any requirements for use test for the purposes of the IMM?	CRR Art 289	CRE53
	Answer		
13	Do you apply requirements for stress testing across methods for CCR? If yes, please outline them.	CRR Art 290	CRE53
	Answer		
14	Are there any requirements to address wrong-way risk across methods for CCR? If yes, please outline them.	CRR Art 291	CRE53.47, CRE53.48
	Answer		
15	What are the requirements for IMM modelling?	CRR Art 292	CRE53
	Answer		
16	Are contractual netting arrangements allowed? If yes, for what instruments? Please also name the conditions (if any).	CRR Art 295 to 298	CRE52, CRE 53
	Answer		

11. Liquidity

General principle

Liquidity risk refers to the possibility that the bank may encounter difficulties in meeting expected or unexpected cash payments or delivery obligations, thereby impairing daily operations or the financial condition of the bank. It may refer to the fact that an institution may not be able to meet efficiently any expected or unexpected cash outflows, due to the unavailability of funding sources (Funding Risk), or to the fact that, when liquidating a sizeable amount of assets, an institution faces a considerable (and unfavourable) price change generated by exogenous or endogenous factors.

Prior to the 2007-09 financial crisis, Liquidity Risk was sometimes overlooked by institutions and regulators. However, the crisis showed that institutions were more likely to fail following a distressed liquidity situation. Therefore, the new regulatory framework requires a more prudent liquidity management. While the CRR creates a general short-term liquidity requirement and liquidity reporting obligations, the “LCR Delegated Regulation” (Commission Delegated Regulation (EU) 2015/61¹⁸, modified by Commission Delegated Regulation (EU) 2018/1620¹⁹) specifies in detail the EU Liquidity Coverage Ratio. This Delegated Regulation (DR) defines high quality liquid assets and the detailed outflow and inflow requirements to ensure that the liquidity position is sufficient to meet net outflows under a 30-day liquidity stress horizon.

The CRR also envisages the net stable funding ratio as a stable funding requirement to ensure that long term assets and off-balance sheet items are adequately covered with stable funding under both normal and stressed conditions.

Under the Basel III framework, the Liquidity Coverage Ratio (LCR and Net Stable Funding Ratio (NSFR) standards (henceforth in the table: “Basel III LCR” and “Basel III NSFR” respectively) can be found here: For the LCR: https://www.bis.org/basel_framework/standard/LCR.htm; and for the NSFR: https://www.bis.org/basel_framework/standard/NSF.htm).

QUESTION	Art. CRR/CR D/DR	Basel ref.
<p>Liquidity Coverage Ratio (LCR)</p> <p><i>The CRR alludes to a liquidity coverage requirement under a 30 day stress horizon, for which it contemplates a reporting framework and a reference to a delegated regulation (LCR Delegated Act) for its specification.</i></p> <p><i>The LCR Delegated Act aims to ensure that a bank maintains an adequate level of unencumbered, High-Quality Liquid Assets (HQLA) that can be converted into cash to meet its liquidity needs for a 30 day time horizon under a significantly severe liquidity stress scenario. From 2018, such a level is required to be 100%; prior to that, a transitional period is available. High Quality Liquid Assets (HQLA) are assets that can be easily and immediately converted into cash at little or no loss of</i></p>		

¹⁸ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015R0061&from=EN>

¹⁹ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018R1620&from=BG>

<i>value. Liquidity needs stem from liquidity inflows and liquidity outflows, to be assessed over a 30-day period, assuming a combined idiosyncratic and market-wide stress scenario.</i>			
1	Do you require institutions to hold liquid assets, the sum value of which covers liquidity outflows under stressed conditions which ensures that the institution maintains adequate levels of liquidity buffers to face any possible imbalance between liquidity inflows and outflows in periods of grave stress over a 30 day period?	CRR Art. 412 DR Art. 4	Par. 20.1, 20.4 Basel III LCR
	Answer	<i>Legislative references</i>	
2	Please, describe the scope of application of the requirement (type of institutions, size, ...) and the level of application (solo level and/or consolidated level).	CRR Art. 6, 11 and 412	Par. 10.1 Basel III LCR
	Answer	<i>Legislative references</i>	
3	Is this requirement applicable also to branches in your jurisdiction from third countries' institutions? If so, is it applicable in a stricter/less strict/similar manner to the rest of institutions in the scope of application? Please elaborate.	CRD Art. 47	
	Answer	<i>Legislative references</i>	
4	Where this requirement applies at a consolidated level with subsidiaries in third countries, which is the treatment for the purposes of consolidating the liquid assets, inflows and outflows in those subsidiaries?	DR Art. 2	Par. 10.5, 30.21 Basel III LCR
	Answer	<i>Legislative references</i>	
5	Is it explicitly envisaged that banks may have a LCR value below 100% during stress periods? If so, under any explicit restrictions?	DR Art. 4	Par. 20.5 Basel III LCR
	Answer	<i>Legislative references</i>	
6	How do you define a stress scenario for the purposes of the LCR ratio? e.g.: - the run-off of a significant proportion of its retail deposits; - a partial or total loss of unsecured wholesale funding capacity, including wholesale deposits and other sources of contingent funding such as received committed or uncommitted liquidity or credit lines; - a partial or total loss of secured, short-term funding;	DR Art. 5	Par. 20.2 Basel III LCR

	<ul style="list-style-type: none"> - additional liquidity outflows as a result of a credit rating downgrade of up to three notches; - increased market volatility affecting the value of collateral or its quality or creating additional collateral needs; - unscheduled draws on liquidity and credit facilities; - potential obligation to buy-back debt or to honour non-contractual obligations. 		
	Answer	<i>Legislative references</i>	
	High Quality Liquid Assets (HQLA)		
7	What are the general conditions that all HQLA must meet in order to be eligible for LCR purposes? e.g. regarding low risk, certainty of valuation, low correlation with risky assets, being listed on an exchange, having an active market, low volatility, or flight to quality?	DR Art. 7	Par. 30.6 to 30.12 Basel III LCR
	Answer	<i>Legislative references</i>	
8	Have you got specific criteria in place that HQLA must meet in order to be considered unencumbered for LCR purposes? If so, please list them. Are these criteria expected to change in the future? If so, how and by when?	DR Art. 7	Par. 30.16 Basel III LCR
	Answer	<i>Legislative references</i>	
9	Are asset issued by certain financial entities (e.g. credit institutions, investment firms, insurance undertakings, financial holding companies) excluded from qualifying as HQLA for LCR purposes? If so, what are the conditions?	DR Art. 7	Par. 30.41 Basel III LCR
	Answer	<i>Legislative references</i>	
10	What are the operational requirements for the holding of liquid assets in your jurisdiction?	DR Art. 8	Par. 30.13 to 30.29 Basel III LCR
	Answer	<i>Legislative references</i>	
11	In particular, do you have any particular provision or guidance as regards the definition of free transferability of assets held in third countries and about their eligibility to pay outflows? If so, which.	DR Art 8	Par. 10.7, 10.8 Basel III LCR

	In addition, do you envisage the existence of any practical or legal impediment to the prompt transfer of assets and repayment of liabilities, and how do you define them?		
	Answer	<i>Legislative references</i>	
12	Do you distinguish different categories of HQLA? If so, how many (e.g. Level 1, Level 2, Level 2B)?	DR Art. 10-13	Par. 30.31, 30.33 Basel III LCR
	Answer	<i>Legislative references</i>	
13	Do you have in place caps to the amount of assets of each category that can be included in the stock of HQLA? Please differentiate between each category of assets to which the cap applies.	DR Art. 17	Par. 30.31, 30.33 Basel III LCR
	Answer	<i>Legislative references</i>	
14	What are the specific requirements, if any, that liquid assets of the highest quality (i.e. Level 1) must specifically meet?	DR Art. 10	Par. 30.40, 30.41 Basel III LCR
	Answer	<i>Legislative references</i>	
15	What are the specific requirements, if any, that other liquid assets of high quality (i.e. Level 2) must specifically meet? Please differentiate, where applicable, between Level 2A and Level 2B assets.	DR Art. 11-12	Par. 30.42 to 30.47 Basel III LCR
	Answer	<i>Legislative references</i>	
16	Do you have in place specific requirements for the eligibility of asset-backed securities? If so, which?	DR Art. 13	Par. 30.45 Basel III LCR
	Answer	<i>Legislative references</i>	
17	Do you have in place specific requirements for the eligibility of shares or units in collective investment undertakings? If so, which?	DR Art. 15	

	Answer	<i>Legislative references</i>	
18	Do you have in place specific requirements or limits for the eligibility of assets in third countries (e.g. assets representing claims or guaranteed by the central government of a third country)? If so, which?	DR Art. 10-12	e.g. Par. 30.41Basel III LCR
	Answer	<i>Legislative references</i>	
19	Is central bank eligibility a sufficient condition for some asset to be considered as a liquid asset?		Par. 30.1 Basel III LCR
	Answer	<i>Legislative references</i>	
20	Do you have in place specific requirements for the eligibility of central bank reserves held in the domestic central bank or in the central bank of a third country? If so, which?	DR Art. 10	Par. 30.41 Basel III LCR
	Answer	<i>Legislative references</i>	
	Valuation of liquid assets		
21	Do you require that the value of liquid assets to be reported is its market value less appropriate haircuts?	CRR Art. 418 DR Art. 9	Par. 30.34 Basel III LCR
	Answer	<i>Legislative references</i>	
22	What are the different haircuts, if any, that the valuation of HQLA is subject to? Please differentiate, where applicable, between Level 1, Level 2A and Level 2B assets.	DR Art. 10-13	Par. 30.40 to 30.47Basel III LCR
	Answer	<i>Legislative references</i>	
23	In the calculation of the liquidity buffer and the computation of the HQLA caps, do you unwind securities financing transactions collateralised by non-HQLA?	DR Art. 17 and Annex I	Par. 30.34 to 30.39 Basel III LCR
	Answer	<i>Legislative references</i>	

	Liquidity outflows		
24	<p>How do you calculate liquidity outflows for LCR purposes and what liquidity requirements are included?</p> <ul style="list-style-type: none"> - Current amount outstanding on retail deposits - Current amount of other liabilities that come due - Additional outflows - Maximum amount that can be drawn for the next 30 days - Any additional outflows identified under assessments 	DR Art. 22	Par. 40.1 Basel III LCR
	Answer	<i>Legislative references</i>	
	Outflows on retail deposits		
25	<p>What rules are in place in your jurisdiction regarding the calculation of outflows on retail deposits?</p> <p>Please differentiate between stable and other retail deposits, if applicable.</p>	DR Art. 24-25	Par. 40.5 to 40.18 and 40.22 to 40.25 Basel III LCR
	Answer	<i>Legislative references</i>	
	Outflows on operational deposits		
26	<p>What rules are in place in your jurisdiction regarding the calculation of outflows on operational deposits?</p>	DR Art. 27	Par. 40.26 to 40.36 Basel III LCR
	Answer	<i>Legislative references</i>	
	Outflows on other liabilities		
27	<p>What rules are in place in your jurisdiction regarding the calculation of outflows on other liabilities?</p>	DR Art. 28	Par. 40.19 to 40.21, 40.40 to 40.47 Basel III LCR
	Answer	<i>Legislative references</i>	

	Additional outflows		
28	What rules are in place in your jurisdiction regarding the calculation of additional outflows (e.g. collateral securing derivative and other transactions, derivatives cash outflows, loss of funding on asset-backed commercial paper, etc.?)	DR Art. 30	Par. 40.48 to 40.58 Basel III LCR
	Answer	<i>Legislative references</i>	
	Outflows from credit and liquidity facilities		
29	What rules are in place in your jurisdiction regarding the calculation of outflows from credit and liquidity facilities?	DR Art. 31	Par. 40.59 to 40.64 Basel III LCR
	Answer	<i>Legislative references</i>	
	Inflows		
30	What rules are in place in your jurisdiction regarding the calculation of inflows for LCR purposes?	DR Art. 32	Par. 40.75, 40.78 to 40.93 Basel III LCR
	Answer	<i>Legislative references</i>	
31	Do you apply a 75% inflow cap as a general rule? If not which one?	DR Art. 33	Par. 40.77 Basel III LCR
	Answer	<i>Legislative references</i>	
32	Do you envisage any exemption to the applicable inflow cap? Which ones? Under which conditions?	DR Art. 26 and 33	
	Answer	<i>Legislative references</i>	
	Compliance with liquidity requirements		

33	Are institutions obliged to notify to the authorities any situation of non-compliance or likely non-compliance with the liquidity coverage requirement?	CRR Art. 414	Par. 20.8 Basel III LCR
	Answer	<i>Legislative references</i>	
	Reporting obligation and reporting format		
34	What reporting obligations are in place in your jurisdiction for the liquidity coverage requirement? Is there an obligation of reporting separately on the items denominated in significant currencies?	CRR Art. 415	Par. 20.7 Basel III LCR
	Answer	<i>Legislative references</i>	

	QUESTION	Art. CRR/CR D/DR	Basel ref.
	<p>Net Stable Funding Ratio (NSFR)</p> <p><i>The CRR refers to a stable funding requirement aimed at preventing excessive maturity mismatches between assets and liabilities and overreliance on short-term wholesale funding. Its objective is to ensure a stable funding structure on the longer term.</i></p> <p><i>As a result of it, the net stable funding ratio is adopted. The NSFR requires that an institution's amount of available stable funding is at least equal to its amount of required stable funding over a one-year horizon. This minimum level of 100% indicates that an institution holds sufficient stable funding to meet its stable funding needs over a one-year horizon under both normal and stressed conditions.</i></p>		
35	Do you require institutions to have available stable funding to cover their funding needs over a one-year time horizon?	CRR Art. 428b	Par. 20.1 and 20.2 Basel III NSFR
	Answer	<i>Legislative references</i>	
36	Please, describe the scope of application of the requirement (type of institutions, size, ...) and the level of application (solo level and/or consolidated level).	CRR Art. 6, 11 and 413	Par. 10.4 Basel III LCR
	Answer	<i>Legislative references</i>	
37	Where this requirement applies at a consolidated level with subsidiaries in third countries, which is the treatment for the purposes of consolidating the assets, off-balance sheet items, liabilities and own funds?	CRR Art. 428a	

	Answer	<i>Legislative references</i>	
	Available stable funding		
38	How is the available stable funding calculated in your requirement? Do you consider for these purposes all liabilities and own funds? Is the accounting value used for their quantification? Is this value weighted by relevant stability factors?	CRR Art. 428i	Par. 30.6 Basel III LCR
	Answer	<i>Legislative references</i>	
39	Is the residual contractual maturity of liabilities and own funds a driver in the determination of the stability factors? If so, how are treated in this regards existing call options to be exercised by the institutions or by its counterparty?	CRR Art. 428j	Par. 30.5 and 30.7 Basel III LCR
	Answer	<i>Legislative references</i>	
40	Which own funds or liabilities are fully considered (100% stability factor) in the available stable funding?	CRR Art. 428jo	Par. 30.10 Basel III LCR
	Answer	<i>Legislative references</i>	
41	Which own funds or liabilities are not considered at all (0% stability factor) in the available stable funding?	CRR Art. 428k	Par. 30.14 Basel III LCR
	Answer	<i>Legislative references</i>	
42	Which own funds or liabilities are considered are partially considered (with a stability factor between 0% and 100%) in the available stable funding?	CRR Art. 428l to 428n	Par. 30.11 to 30.13 Basel III LCR
	Stable funding needs - Required stable funding		
43	How are the stable funding needs (required stable funding) calculated in your requirement? Do you consider for these purposes all assets and off-balance sheet items? Is the accounting value used for their quantification? Is this value weighted by relevant stability factors?	CRR Art. 428p	Par. 30.15 Basel III LCR
	Answer	<i>Legislative references</i>	

44	Is the residual contractual maturity of assets and off-balance sheet items a driver in the determination of the stability factors? If so, how are treated in this regard existing options to extend the maturity of an asset to be exercised by the institutions or by its counterparty?	CRR Art. 428q	Par. 30.16 and 30.17 Basel III LCR
	Answer	<i>Legislative references</i>	
45	Which assets or off-balance sheet items are considered not to have stable funding needs and therefore no stable funding is required for them (0% stability factor)?	CRR Art. 428r	Par. 30.25 Basel III LCR
	Answer	<i>Legislative references</i>	
46	Which assets or off-balance sheet items are considered to have to be fully funded in a stable manner and therefore 100% stable funding is required for them?	CRR Art. 428ah	Par. 30.32 Basel III LCR
	Answer	<i>Legislative references</i>	
47	Which assets or off-balance sheet items are considered to have to be partially funded in a stable manner and which specific level of stable funding is required for them?	CRR Art. 428s to 428ag	Par. 30.26 to 30.31 Basel III LCR
	Answer	<i>Legislative references</i>	
	Treatment for specific transactions		
48	Derivatives: Which stable funding requirements are envisaged for derivatives transactions? Please explain the treatment in terms of available or required stable funding of derivatives assets, derivatives liabilities and variation and initial margin posted and received.	CRR Art. 428d, 428k, 428ag and 428ah	Par. 30.8, 30.9, 30.14, 30.23, 30.24, 30.31, 30.32 Basel III LCR
	Answer	<i>Legislative references</i>	

49	<p>Securities financing transactions: Which stability factors are envisaged for securities financing transactions, both lending and funding transactions (e.g. reverse repos and repos)?</p> <p>Is any netting of these transactions (assets and liabilities) contemplated? If so, in which circumstances?</p>	CRR Art. 428e, 428k, 428l, 428o, 428r, 428s, 428ad and 428ah	Par. 30.22, 30.27, 30.28, 30.29, 30.32 Basel III LCR
	Answer	<i>Legislative references</i>	
50	<p>Encumbrance: What rules are in place in your jurisdiction regarding the calculation of the required stable funding on encumbered assets?</p>	CRR Art. 428p, 428ad, 428ag and 428ah	Par. 30.20 Basel III LCR
	Answer	<i>Legislative references</i>	
51	<p>Interdependent assets and liabilities: Do you envisage any specific transaction where the relevant assets and liabilities are considered to be interdependent and hence apply 0% stability factors for both the assets and the liabilities? If so, please describe them.</p> <p>Does this approach need to be authorised in all cases by the relevant authorities?</p>	CRR Art. 428f	Par. 30.35 Basel III LCR
	Answer	<i>Legislative references</i>	
	Specific treatment for small and non-complex institutions		
52	Is there a specific and different treatment for small and non-complex institutions in your jurisdictions? If so, does it directly apply to them or does it need to be authorised?	CRR Art. 428ai to 428az	
	Answer	<i>Legislative references</i>	
53	How are these small and non-complex defined in your jurisdiction?		
	Answer	<i>Legislative references</i>	

54	Please describe the differences between the stable funding requirement for small and non-complex institutions and for the rest of the institutions.	CRR Art. 428ai to 428az	
	Answer	<i>Legislative references</i>	
	Stable funding requirement in foreign branches		
55	Is the stable funding requirement applicable also to branches in your jurisdiction from third countries' institutions? If so, please describe any difference with respect to the general approach envisage for larger or smaller institutions.	CRD Art. 47	
	Answer	<i>Legislative references</i>	
	Notification obligations		
56	Are institutions obliged to notify to the authorities any situation of non-compliance or likely non-compliance with the stable funding requirement?	CRR Art. 414	
	Answer	<i>Legislative references</i>	
	Reporting obligations		
57	What reporting obligations are in place in your jurisdiction for the stable funding requirement? Is there an obligation of reporting separately on the items denominated in significant currencies?	CRR Art. 415	
	Answer	<i>Legislative references</i>	

12. Macro-prudential framework

GENERAL PRINCIPLE

Systemic risk has the potential to impair financial stability both in individual Member States and within the wider Single Market. Thus, the CRR provides national authorities with the possibility to deal with such risks in a complete and timely manner, through a set of several prudential tools.

To this extent, apart from the capital buffers provided in CRD and the macro-prudential use of Pillar 2, national authorities may use the “macro-prudential flexibility” rules. Under certain conditions they may apply higher requirements on capital / liquidity / large exposures / risk weights. They might ask also more stringent requirements on Public Disclosure aimed at enhancing market discipline and mitigating informational asymmetries. It must be established that the measure is necessary, effective and proportionate, and that other specified measures cannot adequately address the systemic risk.

	QUESTION	Art. CRR/CRD
1	Which authority in your jurisdiction is responsible for financial stability and macroprudential supervision?	CRR Art. 458
	Answer	<i>Legislative references</i>
2	In case more authorities are involved, how cooperation and communication among them are ensured?	CRR Art. 458
	Answer	<i>Legislative references</i>
3	Which are the tools/instruments available for supervisors to mitigate excessive risks building up within the financial system as a whole (i.e. not related to a single institution)?	CRR Art. 458
	Answer	<i>Legislative references</i>

13. Capital Buffers

GENERAL PRINCIPLE

Within the EU, the authorities for the supervision of macro-economic and financial stability risks, or Member States themselves might require the compliance with additional capital buffers for certain institutions. Depending on the nature of the buffer, it may not necessarily reflect a detected risk in a specific institution and may be applicable to all institutions, e.g. in a specific market or institutions above a certain size.

The capital buffers in CRD require the holding of additional capital of the highest quality (CET1) for all institutions subject to them. The buffers are usually defined as a percentage calculated on a predefined risk measure.

In the Basel framework, capital buffers provisions are detailed in the Risk Based Capital Requirement (RBC) Standard (https://www.bis.org/basel_framework/standard/RBC.htm)

	QUESTION	Art. CRR/CRD	Basel ref.
	Do your provisions require institutions to maintain the following capital buffers? <u>For each of the buffers</u> , please indicate: <ul style="list-style-type: none"> • Y/N • the quality of capital (CET1, T1, T2) • the respective value, in % of RWAs • The authority that sets the buffers • The criteria used to set (and, if applicable, release) the buffers 	CRD Art. 128	
1	Capital Conservation Buffer	CRD Art. 129	RBC 30.1-30.5
	Answer	<i>Legislative references</i>	
2	Countercyclical Capital Buffer (please provide details of the applicable rules to determine the buffer when authorities require it both at the individual and at consolidated basis)	CRD Art. 130	RBC-30.6-30.19
	Answer	<i>Legislative references</i>	
3	Systemically Important Institution (SII) buffer (for Globally and Other Systemically Important banks)	CRD Art. 131	BCBS dp 255 ²⁰

²⁰ <https://www.bis.org/publ/bcbs255.pdf>

	Answer	<i>Legislative references</i>	
4	How is a systemic risk buffer calculated?	CRD Art. 133(2)	
	Answer	<i>Legislative references</i>	
5	What is the level of application (i.e. to which exposure) of a systemic risk buffer?	CRD Art. 133(5)	
	Answer	<i>Legislative references</i>	
6	Which type of information about capital buffers must your authority publish on its website? With which frequency?	CRD Art. 136(7)	
	Answer	<i>Legislative references</i>	
7	In the EU framework, the Combined Buffer is defined as the sum of Capital Conservation Buffer, Countercyclical Buffer, SII-Buffer and Systemic Risk Buffer. To this extent, it is expected that an institution cannot further deplete its Combined Buffer through payments of dividends, coupons, or as the distributable items are limited to those elements not included in the CET1. In your jurisdiction, are there any limitations to distribute payments/dividends/coupons when the requirement of the combined buffer is not met?	CRD Art. 141	RBC30
	Answer	<i>Legislative references</i>	
8	When is an institution considered to have breached the combined buffer requirement?	CRD Art. 141a	
	Answer	<i>Legislative references</i>	
9	Are there restrictions to payment distributions in case an institution fails to meet the leverage ratio requirement? How is it this maximum distributable amount computed?	CRD Art. 141b	
	Answer	<i>Legislative references</i>	
10	In the EU framework, a Capital Conservation Plan has to be submitted in case the institution breaches the combined buffer threshold. Is a similar requirement included also in your jurisdiction?	CRD Art. 142	-
	Answer	<i>Legislative references</i>	

11	In the EU framework, the Combined buffer has also the function of “protecting” the Pillar 2 capital, so that the Combined Buffer is actually the first layer of capital to be impacted. Could you please clarify the stacking order of additional capital requirements within Pillar 2 capital and Combined Buffer?	EBA opinion ²¹	-
	Answer	<i>Legislative references</i>	
12	Are there are waivers / exemptions for specific categories of institutions that are thus excluded from this part of the framework?	-	-
	Answer	<i>Legislative references</i>	

²¹ <https://eba.europa.eu/documents/10180/983359/EBA-Op-2015-24+Opinion+on+MDA.pdf>

14. Large Exposures framework

General Principles

To protect institutions from significant losses caused by the sudden default of an individual client, the EU rules limit the ability of institutions to be exposed to their clients or group of connected clients beyond a certain limit of their eligible capital. This limit ('large exposure limit' thereafter) applies to the aggregated amount of exposures that an institution has to a same counterparty or a same group of connected counterparties. Eligible capital is defined as the sum of Tier 1 capital and Tier 2 capital within the limit of one third of the Tier 1 capital. The large exposure limit applies to all banks on an individual basis and all banking groups on a consolidated basis.

The main reference in the Basel Framework is the Large Exposures (LEX) standard (https://www.bis.org/basel_framework/standard/LEX.htm)

	QUESTION	EU Ref (Art. CRR)	BCBS Ref (parag.)
1	How do your laws and regulations define "exposures" for the matter of calculation of Large Exposures?	CRR Art. 389	
	Answer	<i>Legislative references</i>	
2	How does your legislation define a "large exposure"?	CRR Art. 392	LEX-10.8
	Answer	<i>Legislative references</i>	
3	How is the exposure value computed for the calculation of large exposures	CRR Art. 390	LEX-30.1-30.2
	Answer	<i>Legislative references</i>	
4	The objective of the definition of ' <i>connected clients</i> ' in the CRR is to identify groups of clients that should be treated as a single risk on the basis of their control relationships or economic dependency. To this extent, Art. 4(1)(39) of the CRR identifies two types of interconnection considered in the definition of connected clients: <ul style="list-style-type: none"> I. the clients are directly or indirectly interconnected by a control relationship as defined in Article 4(1)(37) of the same Regulation; 	CRR Art. 4(1)(39)	LEX-10.9-10.18

	<p>II. the clients are interconnected by some form of economic dependency as set out in Article 4(1)(39)(b), for instance:</p> <ul style="list-style-type: none"> - direct economic dependencies such as supply chain links or dependence on large customers; or - a common main source of funding <p>How do your laws and regulations define a group of connected clients?</p>		
	Answer	<i>Legislative references</i>	
5	Art. 395 of CRR prescribes that an institution cannot incur an exposure, after considering the effect of credit risk mitigation, to a client or group or connected clients that exceeds the 25% of its Tier 1 capital. Which is the large exposure limit in your legislation?	CRR Art. 395	LEX-20.1
	Answer	<i>Legislative references</i>	
6	What are the limits in place for exposures from a G-SII to another G-SII?	CRR Art. 395	
	Answer	<i>Legislative references</i>	
7	Could you please clarify at what level the limits to large exposures are applied in your jurisdiction (i.e. individual vs. consolidated level)?	CRR Art. 6 and 11	
	Answer	<i>Legislative references</i>	
8	Are exposures on the trading book also included in the calculation of large exposures? Which is their treatment?	CRR Art. 395(5)	LEX-30.15-30.22, 30-23-30.31 (offsetting)
	Answer	<i>Legislative references</i>	
9	Could you please clarify which are the relevant provisions in case an institution breaches the large exposure requirement in your jurisdiction?	CRR Art 396	LEX20.3
	Answer	<i>Legislative references</i>	
10	Can you please clarify whether credit mitigation techniques are eligible within the large exposure regime and which methods of calculation are used to compute the final amount?	CRR Art. 99	LEX-30.7-30.14

	Answer	<i>Legislative references</i>	
11	How are the effects of credit risk mitigation treated for Large Exposures purposes? Which method are institutions allowed to use and under which circumstances?	CRR Art. 401	
	Answer	<i>Legislative references</i>	
12	The EU provisions envisages that some large exposures SHALL be exempted from the application of the large exposure regime, while for other exposures discretion is left to competent authorities. Can you please provide details of which exposures are automatically exempted from the large exposure regime, and the other exposures for which there is discretion to exempt (i.e. the exemption is optional)?	CRR Art. 400(1) and 400(2)	LEX-30.32-30.37
	Answer	<i>Legislative references</i>	
13	In the EU, while certain exposures are or may be exempted from the calculation of Large Exposures limits (see question 12 above), there are no exemptions for the reporting of large exposures, i.e. ALL the exposures qualifying as “Large Exposures” shall be reported to competent authorities. Does your jurisdiction envisage any exemption for the reporting of certain categories of Large Exposures?	CRR Art. 394	
	Answer	<i>Legislative references</i>	
14	How are exposures arising from mortgage lending treated under the large exposure regime in your legislation? Is there a difference in this respect between residential and commercial mortgages?	CRR Art. 402	
	Answer	<i>Legislative references</i>	
15	Which is the treatment of large exposures in case they are guaranteed by a third party / secured by collateral guaranteed by a third party? (substitution approach)	CRR Art. 403	LEX 30.14 and 30.28
	Answer	<i>Legislative references</i>	
16	Article 394 of the CRR sets out detailed reporting requirements of large exposures, in particular: a) the identification of the client or the group of connected clients to which an institution has a large exposure; b) the exposure value before taking into account the effect of the credit risk mitigation, when applicable;	CRR Art. 394	LEX-20.4

	<p>c) where used, the type of funded or unfunded credit protection;</p> <p>d) the exposure value after considering the effect of the credit risk mitigation</p> <p>Is there a similar reporting framework in your national legislation on large exposures? What type of information is included in that reporting framework?</p>		
	Answer	<i>Legislative references</i>	
17	<p>Art. 394 CRR states that any institution shall report detailed information, in relation to its 10 largest exposures on a consolidated basis to institutions as well as its 10 largest exposures on a consolidated basis to unregulated financial entities.</p> <p>Is there a reporting obligation with respect to the most significant exposures?</p>	CRR Art. 394	LEX-20.4
	Answer	<i>Legislative references</i>	

15. Leverage Ratio

GENERAL PRINCIPLE

The years preceding the financial crisis were characterised by an excessive build up in institutions' exposures in relation to their own funds (i.e. leverage). During the financial crisis, losses and shortage of funding forced institutions to rapidly de-leverage. This amplified downward pressures on asset prices, causing further losses for institutions, which in turn led to further declines in their own funds. The ultimate results of this negative spiral was a reduction in the availability of credit to the real economy, and the deepening and prolonging of the crisis.

Risk-based own funds requirements are essential to ensure sufficient own funds to cover unexpected losses. However, the crisis has shown that those requirements alone are not sufficient to prevent institutions from becoming excessively leveraged.

To foster an adequate capitalization and monitoring of risk of excessive leverage under the ICAAP/SREP process, the CRR has introduced the reporting and disclosure requirements on the leverage ratio. By way of CRR2, the EU has implemented a minimum binding leverage ratio requirement since June 2021 and adjust the calculation of the leverage ratio²².

Under the Basel III framework, the Leverage Ratio standards (henceforth in the table referred to with "LEV") can be found here: https://www.bis.org/basel_framework/standard/LEV.htm?tldate=20220101

	QUESTION	Art. CRR/CRD	Basel ref.
	Leverage Ratio Requirement		
1	Does your jurisdiction implement the 3% minimum leverage ratio requirement, as well as the G-SII leverage ratio buffer requirement?	CRR Art. 92(d) and 92(1a)	LEV20, LEV40
	Answer	<i>Legislative references</i>	
2	Please, describe the scope of application of the requirement (type of institutions, size, ...) and the level of application (solo level and/or consolidated level).	CRR Art. 6, 11	
	Answer	<i>Legislative references</i>	
3	Is this requirement applicable also to branches in your jurisdiction from third countries' institutions? If so, is it applicable in a stricter/less strict/similar manner to the rest of institutions in the scope of application? Please elaborate.	CRD Art. 47	

²² Note that the CRR2 is last amended by REGULATION (EU) 2020/873 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 24 June 2020.

	Answer	<i>Legislative references</i>	
4	Does your jurisdiction implement any exemption of exposures at a central bank? If so, could you explain the adjustment of the leverage ratio requirement that applies (is the requirement adjusted in proportion to the use of the exemption at the start of the exceptional period)?	CRR Art. 429a(1)(n) and (7)	LEV30.7
	Answer	<i>Legislative references</i>	
5	How does your jurisdiction address institution specific risks under Pillar 2 to address the risk of excessive leverage and how do any capital requirements resulting from this process relate to other capital requirements? Is it a parallel requirement to the requirements in the risk based own funds requirements?	CRD5 Recital 15, Art. 104(1)(a) and 141b and c	
	Answer	<i>Legislative references</i>	
6	Does your jurisdiction implement any other requirement that could be considered to address risk of excessive leverage?		
	Answer	<i>Legislative references</i>	
	Calculation of the leverage ratio		
7	Do you have a specific methodology in place that prescribes how institutions must calculate their leverage ratio? Please explain whether the leverage ratio subject to minimum requirements is calculated on a point in time (“at all times”) basis.	CRR Art. 429	LEV20
	Answer	<i>Legislative references</i>	
8	What is the formula by which the actual ratio is calculated? For example, do you require institutions to calculate their leverage ratio by dividing their own funds by its total exposure?	CRR Art. 429(2)	LEV20
	Answer	<i>Legislative references</i>	
9	Are each of the following included in the total exposure measure: - assets unless they are deducted when determining the capital measure; - derivatives; - add-ons for counterparty credit risk;	CRR Art. 429(4)	LEV30

	- off balance sheet items.		
	Answer	<i>Legislative references</i>	
10	When calculating the exposure value of assets: - what is the basis for determining the assets value; - do you permit any collateral, guarantees or purchased credit risk mitigation to reduce the exposure value; - do you permit netting; if so, please explain when it is permitted.	CRR Art. 429(7)	LEV30.1 to LEV30.4
	Answer	<i>Legislative references</i>	
11	When calculating the exposure value of assets, which exemptions/reductions are allowed? For example, regarding pre-financing loans or intermediate loans, public development credit institutions, promotional loans, export credits, significant risk transfer, exposures to central banks, CSD activities. Please explain the calculation.	CRR Art. 429(8), 429a	LEV30
	Answer	<i>Legislative references</i>	
12	When calculating the exposure value of assets, how are the exposure values for cash pooling arrangements and SFTs calculated, and specifically the conditions for their netting?	CRR Art. 429b	LEV 30.12 LEV30.36 to LEV 30.44
	Answer	<i>Legislative references</i>	
13	How is the exposure value of derivative contracts determined, specifically the methods allowed and the conditions for any margin to be taken into account? If SA-CCR is used, how does it differ from SA-CCR for risk-based purposes? Is Simplified SA-CCR and /or OEM allowed? What are the conditions for netting/novation to be considered?	CRR Art. 429c	LEV30.13 to LEV30.29
	Answer	<i>Legislative references</i>	
14	How is the exposure value of written credit derivatives determined, specifically the conditions for offset?	CRR Art. 429d	LEV30.30 to LEV30.35
	Answer	<i>Legislative references</i>	
15	Is there a counterparty credit risk add-on for securities financing transactions and long settlement transactions, including off balance sheet transactions? If so, how is the counterparty credit risk add-on for SFTs (that are subject or not to master netting agreements) calculated?	CRR Art. 429e	LEV30.36 to LEV 30.44

	Is there a derogation based on the Financial Collateral Simple Method?		
	Answer	<i>Legislative references</i>	
16	How is the exposure value of off-balance sheet items calculated?	CRR Art. 429f	LEV30.45 to LEV 30.56
	Answer	<i>Legislative references</i>	
17	How is the exposure value of regular-way purchases and sales awaiting settlement calculated? Please describe any reversal/gross-up of accounting values taking place and application of prudential conditions	CRR Art. 429f	LEV30.10, LEV30.11
	Answer	<i>Legislative references</i>	
	Reporting Requirements		
18	What are the reporting requirements in your jurisdiction for the leverage ratio (use of uniform reporting template? frequency of reporting? Elements subject to monitoring of leverage ratio volatility? dates of reporting?)	CRR Art. 430 CRR	
	Answer	<i>Legislative references</i>	
	Disclosure Requirements		
19	What are the disclosure requirements in your jurisdiction for the leverage ratio (use of uniform reporting template? frequency of disclosure? Elements subject to averaging? dates of disclosure?)	CRR Art. 430 CRR	DIS80
	Answer	<i>Legislative references</i>	

16. Market discipline and Disclosure

General principles

Among financial market participants, one of the most relevant source of distress stems from information asymmetries arising from opaque disclosure. Thus, market participants should have access to an asymmetric amount/quality of information when assessing of the risk taking of a counterparty.

Effective public disclosure enhances market discipline and allows market participants to assess a bank's capital adequacy and prudent liquidity management and can provide strong incentives to banks to conduct their business in a safe, sound and efficient manner. Transparency and disclosure rest at the foundation of the so called "Third Pillar" of prudential regulation as laid down in the Basel II framework and as also envisaged in the CRR. Market discipline can only have a positive effect on the behaviour of market participants if sufficient and standardized (comparable) information is available. The European framework requires disclosure of comprehensive information, which should be sufficient to allow an evaluation of the funds, risk, and management without giving away professional secrets about strategy or information about counterparties.

In the Basel framework, Disclosure and market discipline guidelines are included in the Disclosure (DIS) Standard (https://www.bis.org/basel_framework/standard/DIS.htm)

	QUESTION	Art. CRR/CRD	Basel ref.
1	Which are the guiding principles for market disclosure in your jurisdiction? In particular, is the criteria of materiality taken into account when deciding which information should be disclosed by institutions?	CRR Art. 431-432	DIS10
	Answer	<i>Legislative references</i>	
2	What are the criteria that would warrant the exclusion of some information from the range of disclosure on the basis of proprietary and confidentiality matters?	CRR Art. 432	DIS10
	Answer	<i>Legislative references</i>	
3	What is the frequency of disclosure?	CRR Art. 433	DIS10
	Answer	<i>Legislative references</i>	

4	What are the disclosure requirements for large institutions? What are the items that need to be disclosed with higher frequency by large institutions?	CRR Art. 433a	
	Answer	<i>Legislative references</i>	
5	What are the disclosure requirements for small and non-complex institutions in terms of content and frequency?	CRR Art. 433b	
	Answer	<i>Legislative references</i>	
6	Which are the formats required for disclosure?	CRR Art. 434, 434a	
	Answer	<i>Legislative references</i>	
7	What is the scope of application of information to be disclosed?	CRR Art. 436	DIS10
	Answer	<i>Legislative references</i>	
8	Which type of information shall institutions disclose in relation to their risk management and policies?	CRR Art. 435	
	Answer	<i>Legislative references</i>	
9	Which type of information shall institutions disclose in relation to their own funds?	CRR Art. 437	DIS20
	Answer	<i>Legislative references</i>	
10	Which type of information shall institutions disclose in relation to their eligible liabilities?	CRR Art. 437a	
	Answer	<i>Legislative references</i>	
11	Do institutions need to disclose additional own funds requirements resulting from the supervisory review process (i.e. Pillar 2)?	CRR Art. 438(b)	
	Answer	<i>Legislative references</i>	
12	Which type of information shall institutions disclose in relation to their capital adequacy/capital requirements?	CRR Art. 438	DIS20
	Answer	<i>Legislative references</i>	

13	Which type of information shall institutions in relation to countercyclical capital buffers?	CRR Art. 440	DIS75
	Answer	<i>Legislative references</i>	
14	Which type of information shall institutions disclose on capital requirements for Credit Risk? Please give details on: <ul style="list-style-type: none"> • qualitative and quantitative elements of disclosure • all the credit risk adjustments 	CRR Art. 438, 442	DIS40
	Answer	<i>Legislative references</i>	
15	Which type of information shall institutions disclose on encumbered and unencumbered assets?	CRR Art. 443	DIS31
	Answer	<i>Legislative references</i>	
16	Which type of information shall institutions disclose in relation to their Counterparty Credit Risk? Please differentiate between qualitative and quantitative elements of disclosure	CRR Art. 439	DIS42
	Answer	<i>Legislative references</i>	
17	What type of information about ECAs do institutions using Standardised Approach for credit risk need to disclose	CRR Art. 444	
	Answer	<i>Legislative references</i>	
18	What information do institutions need to disclose on the use of the IRB approach to credit risks?	CRR Art. 452	
	Answer	<i>Legislative references</i>	
19	What information do institutions need to disclose on the use of credit risk mitigation techniques?	CRR Art. 453	
	Answer	<i>Legislative references</i>	
20	Which type of information shall institutions disclose on Securitisation positions? Please differentiate between qualitative and quantitative elements of disclosure	CRR Art. 449	DIS43
	Answer	<i>Legislative references</i>	
21	Which type of information shall institutions disclose on Market Risk? Please differentiate between disclosure for	CRR Art. 445 and 454	DIS50

	banks using the standardised approach and banks using the Advanced model approach (AMA)		
	Answer	<i>Legislative references</i>	
22	Which type of information shall institutions disclose on Operational Risk?	CRR Art. 446	DIS60
	Answer	<i>Legislative references</i>	
23	Do institutions need to disclose the following information: <ul style="list-style-type: none"> - composition of own funds and own funds requirements - total risk exposure amount - amount and composition of additional own funds (Pillar 2) - combined buffer requirement leverage ratio	CRR Art. 447 (a-e)	
	Answer	<i>Legislative references</i>	
24	Which type of information do institutions need to disclose in relation to: <ul style="list-style-type: none"> - liquidity coverage ratio - net stable funding ratio own funds and eligible liabilities	CRR Art. 447 (f-h)	
	Answer	<i>Legislative references</i>	
25	Which type of information shall institutions disclose on Interest Rate Risk in the Banking Book (IRRBB)?	CRR Art. 448	DIS70
	Answer	<i>Legislative references</i>	
26	Which type of information shall institutions disclose on their Remuneration policy?	CRR Art. 450	
	Answer	<i>Legislative references</i>	
27	Which type of information shall institutions disclose on their Environmental, Social and Governance (ESG) risks?	CRR Art. 449a	
	Answer	<i>Legislative references</i>	
28	Which type of information shall institutions disclose on their Leverage ratio?	CRR Art. 451	

	Answer	<i>Legislative references</i>	
29	Which type of information shall institutions disclose on their Liquidity requirements?	CRR Art. 451a	
	Answer	<i>Legislative references</i>	
30	Which information do institutions need to disclose on the use of internal market risk models?	CRR Art. 455	
	Answer	<i>Legislative references</i>	
31	In order to enhance transparency and market efficiency, in EU competent authorities are required to publish the text of laws, regulation and administrative rules, to allow for a meaningful comparison of approaches adopted in the field of prudential regulation and supervision. Which are the requirements for supervisory disclosure within your jurisdiction?	CRD Art.143-144	
	Answer	<i>Legislative references</i>	