

EU-wide Transparency Exercise Guidelines

Purpose of the Guidelines

The purpose of this document is to provide guidance to banks in filling in the Excel file (2013 EU-wide transparency exercise templates). The Guidelines cover the key items and concepts in the templates and aim at making the data collection smoother as well as ensuring consistency across banks' submissions. As usual, a Q&As process will be available for providing banks with further clarifications.

Main Structure

The Excel file contains 8 sheets divided as follow:

0. Cover
1. Capital
2. Credit Risk
3. Securitisation Summary
4. Market Risk
5. Sovereign Debt Exposures
6. RWA
7. Risk Parameters (not for disclosure)

Data Input

- Users shall NOT make any changes to the sheets
- In particular no columns or rows should be inserted or deleted
- Any additional calculations should be made outside the tables
- Monetary Data should be provided in millions of euros
- Percentage data should be provided in decimals
- Monetary amounts in currency different from Euro should be converted to Euro using exchange rates from the ECB website referred to the business day closest to the reference date

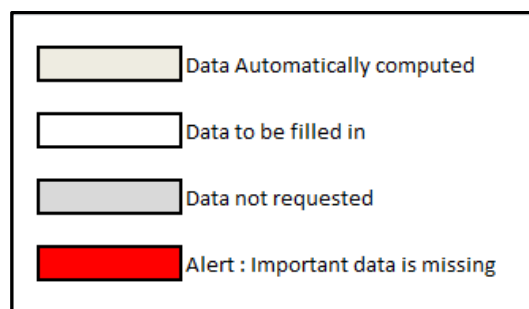
Filling in

Cover Sheet

Users have to fill in the Cover sheet with the basic information about the bank including the floor option (see section on RWA definitions below). The Cover will be disclosed.

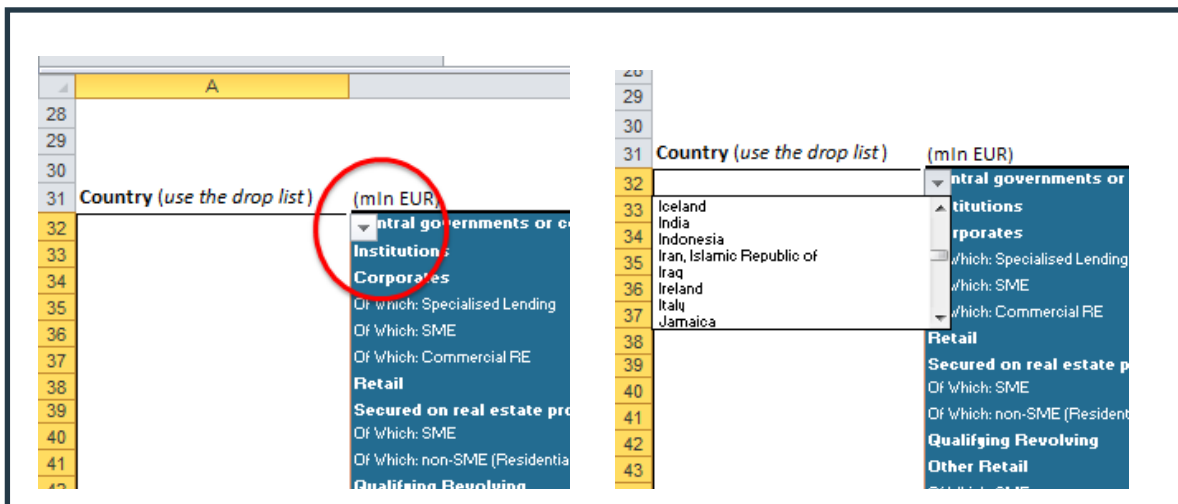
Cell categories

The templates contain 4 categories of cells marked by colours (as shown below):



Drop list windows

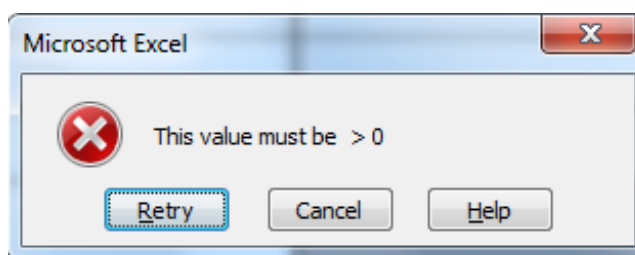
In the “Credit Risk” sheet, users should use drop list window to select the country to which the exposures are referred to. By selecting the cells an arrow will pop up in the upper right corner of the cell and by clicking the list of countries will appear.



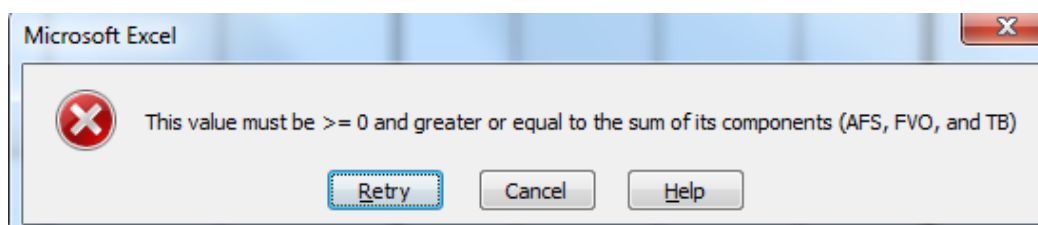
Validation Rules

There are two types of validation rules:

- 1) On the signs: an error message pops up asking to correct the value. As long as the condition is not satisfied the value is not taken as input.



- 2) On sums: These rules are used for figures with breakdowns. Usually this kind of validation rule goes together with the one related to the sign. As long as the condition is not satisfied the cell remains red.



When filling in figures with breakdowns (and when the total is not the sum of the components), users are strongly recommended to enter first the total and then its components.

Definitions

1) Capital Template

Capital position CRD3 rules:

- All values should be computed according to the information contained in the Notes column, taking into account the appropriate sign when indicated.
- IRB provisions shortfall and IRB equity expected losses amounts (before tax) should include the amount actually deducted from Tier 1 (not full amount).

CRR / CRDIV memo:

- All items to be reported as estimated for the requested reference dates without the application of any transitional provisions.

- No threshold shall be taken into account or reported. Items requested should be reported as the registered full amount at each reference date.
- All items must have positive value.
- Credit Value Adjustment risk to be computed as risk weighted assets amount.

Note that the items reported in this section are for information only. It should be also underlined that the CRR/CRD4 rules do not imply that the total amount reported under the Memo items is to be fully deducted (specific thresholds apply).

2) Credit Risk Template

Credit Risk must be considered as inclusive of Counterparty Risk.

Exposure classes

In the *Credit risk* sheet (and consequently in the *Risk Parameters sheet*) users are asked to fill in banking book figures of different exposure classes. Most of the exposures classes refer to the COREP definitions listed in the rows section of C 09.02 – *Geographical breakdown of exposures by residence of the obligor: IRB exposures (CR GB 2)*. The term ‘residence’ refers to the country of incorporation of the obligor. The following table shows the information of the specific rows, CRR reference and mapping for exposures under Standardized approach (SA).

C 09.02 rows (IRB)	CRR Reference	C 09.01 rows (SA)
010	Central banks and central governments (Article 147 (2) (a) CRR)	010 + 020
020	Institutions (Article 147 (2) point (b) CRR)	030 + 040 + 050 + 060 + 120
030	Corporates (All corporates according to article 147 (2) point (c).)	070 + Corporate share of 090 + 110 + 130 + 140
040	Of which: Specialized lending (Article 147 (8) a CRR)	Specialized lending share of 070
050	Of which: SME (Article 147 (2) point (c) CRR)	075
060	Retail All Retail exposures according to Article 147 (2) point (d)	080 + Retail share of 090
070	Retail – Secured by real estate property	Retail share of 090

	Exposures reflecting Article 147 (2) point (d) CRR which are secured by real estate.	
080	SME Retail exposures reflecting Article 147 (2) point (d) in conjunction with Article 153 (3) CRR which are secured by real estate.	Retail SME share of 090
090	non-SME Retail exposures reflecting Article 147 (2) point (d) CRR which are secured by real estate.	Retail Non-SME share of 090
100	Retail – Qualifying revolving (Article 147 (2) point (d) in conjunction with Article 154 (4) CRR).	Qualifying revolving share of 080
110	Other Retail Other retail exposures according to Article 147 (2) point (d) not reported in rows 070 - 100.	Non-Qualifying revolving share of 080
120	SME Other retail exposures reflecting Article 147 (2) point (d) in conjunction with Article 153 (3) CRR.	085
130	non-SME Other retail exposures reflecting Article 147 (2) point (d) CRR.	Non-SME Non-Qualifying revolving share of 080
140	Equity Equity exposures reflecting Article 147 (2) point (e) CRR.	150
COREP C.12.00	Securitisation (Article 147 (2) (f) CRR)	COREP C.13.00
NA	Other non-credit obligation assets (Article 147 (2) (g) CRR)	160

Country coverage

All counterparty countries cells contain the overall exposure of the group towards all the counterparties (i.e. it is not the sum of the country by country cells).

Breakdown by country of counterparty in ‘Credit Risk’ and ‘Risk Parameters (no disclos.)’ templates will be reported according to the minimum of:

- i) 90% of total EAD
- ii) top 10 countries in terms of exposure

For example, a bank with 90% of its exposure concentrated in 6 countries will only fill data for those 6 countries. By contrast, if the aggregate exposure of a bank towards the largest 10 countries is below 90% of the total exposure, the bank will fill the template only for the top 10 counterparty-countries.

The country of counterparty refers to the country of incorporation of the obligor. This concept can be applied on an immediate-obligor basis and on an ultimate-risk basis. Hence, CRM techniques can change the allocation of an exposure to a country.

The cut-off date to define the top 10 countries in term of exposure is 20132Q.

Breakdown by regulatory approach

The information regarding exposure value, RWA and value adjustments and provisions should be allocated in the columns corresponding to the regulatory approach used for own funds requirements calculations. Specifically the following mapping rules should be made:

- Equity:
 - F-IRB = Simple risk weight approach + PD/LGD Approach
 - A-IRB = Internal Models Approach
- Securitisation and Securitisation and re-securitisations positions deducted from capital:
 - F-IRB = IRB Ratings Based Approach
 - A-IRB = Supervisory Formula Approach or Internal Assessment Approach
- Specialised Lending: exposures following Supervisory Slotting Criteria should be reported under Standardised Approach.

LTV

Banks are expected to report based on the following concept: loan amount / value of collateral. The 'loan amount' refers here to the sum of loans granted against one property. Banks are expected to provide details of the definitions that they are using in the Cover sheet cell called "LTV definition". Comments about different use of definition by portfolio or by country are also welcome.

Exposure value

Banks should compute exposure value according to COREP definitions. Specifically:

- Exposures classified under IRB approaches: Column 110 of C 08.01 - Credit and counterparty credit risks and free deliveries: IRB Approach (CR IRB 1). Banks should inform the value in accordance with Article 166 of CRR and Article 230 (1) sentence 2 of CRR

It is to be noted that this is a figure the value after applying credit risk mitigation techniques as defined in article 4 (57) of CRR that reduce the credit risk of an exposure or exposures or via the substitution of exposure. The reported value should be gross of value adjustments and provisions.

For the instruments as defined in Annex I of the CRR, the credit conversion factors (Article 166 (8) to (10) of CRR) irrespective the approach chosen by the institution, are applied.

For securities financing transactions, derivatives and long settlement transactions and exposures from contractual cross-product netting subject to part 3 title II chapter 6 of CRR, the Exposure Value is the same as the value for Counterparty Credit Risk calculated according to the methods laid down in part 3 title II chapter 6 sections 3, 4, 5, 6 and 7 of CRR.

- Exposures classified under Standardised approach: Column 200 of C 07.00 - Credit and counterparty credit risks and free deliveries: Standardised Approach (CR SA). Banks should inform the value in accordance with Part 3 title II chapter 4 section 4 of CRR.

It is to be noted that this is a figure net of value adjustments and provisions and after taking into account value adjustments, all credit risk mitigation techniques and credit conversion factors that is to be assigned to risk weights according to Article 113 and part 3 title II chapter 2 section 2 of CRR Article 166 of CRR and Article 230 (1) sentence 2 of CRR.

Value adjustments and provisions

It should be computed in accordance with the accounting framework to which the reporting entity is subject and to Article 34 and 110 of CRR.

Banks are expected to report by asset class the amounts corresponding to the defaulted assets and the rest under non defaulted assets in Total.

3) Securitisation summary

For banking book exposures banks should compute the sum of the values of the different exposures according the COREP definitions. Specifically:

- Exposures classified under IRB approaches: Column 170 of C.13.00 - Credit risk: Securitisations – IRB approach to own funds requirements (CR SEC IRB).

As for Credit Risk template the value is calculated gross of value adjustments and provisions after applying credit risk mitigation techniques and credit conversion factors.

- Exposures classified under Standardised approach: Column 190 of C.12.00 - Credit risk: Securitisations – Standardised approach to own funds requirements (CR SEC SA).

As for Credit Risk template the value is calculated net of value adjustments and provisions and after taking into account value adjustments, all credit risk mitigation techniques and credit conversion factors.

For trading book exposures, banks are expected to report exposure value as the amount of the position that drives the calculation of RWA.

Interrelation with Credit Risk template per reference date:

Exposure value of banking book row (Securitisation template: cell B3 or cell C3) = sum of exposure values of 'Securitisation' row (Credit risk template: cells D19 to I19 or cells W19 to AB19) + sum of exposure values of 'Securitisation and re-securitisations positions deducted from capital' row (Credit risk template: cells D22 to I22 or cells W22 to AB22).

4) Market risk

Risk exposure amount (RWA) for position, foreign exchange and commodities risks under Standardised Approaches (SA) and Internal Models (IM).

Breakdown

Information should be completed under to the following categories as listed in COREP C.24.00 for Internal Models Approach and COREP C.18.00, C.21.00, C.22.00 and C.23.00 for Standardised Approach according to the following definitions:

1. Position Risks in Traded Debt Instruments

RWAs for position risks on traded debt instruments. Result of the multiplication of the own funds requirements * 12.5. [see COREP C.18.00 – Col 060 (SA) and COREP C.24.00 – Col 120 (IM)].

2. Position Risk in Equities

RWAs for position risk in equities held in the trading book. Result of the multiplication of the own funds requirements * 12.5. [see COREP C.21.00 – Col 060 (SA) and COREP C.24.00 – Col 120 (IM)].

3. Foreign Exchange Risk

RWAs for position risk for foreign exchange. The position is calculated for each currency (including euro), gold, and positions to CIUs. Result of the multiplication of the own funds requirements * 12.5. (see COREP C.22.00 – Col 090 (SA) and COREP C.24.00 – Col 120 (IM)).

4. Commodities

RWAs for positions in commodities Result of the multiplication of the own funds requirements
* 12.5. [see COREP C.23.00 – Col 060 (SA) and COREP C.24.00 – Col 120 (IM)].

For further clarification, banks allowed to use Internal Models to calculate capital requirements should report Total Risk Exposures Amount including elements according to the following rules:

- General risk for Traded Debt Instruments, general risk for Equities, Foreign Exchange risk and Commodities risk: VaR and SVaR;
- Specific risk for Traded Debt Instruments and specific risk for Equities: VaR, SVaR, IRC and All Price Risk (APR).

5) Sovereign debt exposures

Exposures to central, regional and local governments.

Direct positions: exposures to be reported include the positions towards sovereign counterparts. The exposures to be reported arise from immediate borrower basis (e.g. an exposure of 100 towards Country A, collateralised with bonds issued by Country B, is reported on Country A but not on Country B) and do not include exposures to other counterparts with full or partial government guarantees

Indirect positions: exposures to be reported include the positions towards other counterparts (other than sovereign) on sovereign credit risk (i.e. CDS, financial guarantees) booked in all the accounting portfolio (on-off balance sheet). Irrespective of the denomination and/or accounting classification of the positions, the economic substance over the form must be used as criteria for the identification of the exposures to be included in this column. This item does not include exposures to counterparts (other than sovereign) with full or partial government guarantees by central, regional and local governments)

Trading book: Banks should report exposures included in the "Financial assets held for trading" portfolio after offsetting the cash short positions having the same maturities.

6) RWA

RWA should be calculated according to CRD III rules as reported to National Supervisory Authorities. Specifically:

- Securitisations and re-securitisations cover both banking book and trading book
- Transitional floors computed according to the option selected in Cover. Option definitions as of EU Capital Exercise
(<https://www.eba.europa.eu/documents/10180/26923/Methodology+FINAL.pdf>)

Interrelation with Capital template per reference date:

Total RWA (RWA template: cell B9 or cell C9) = I) RWA (Capital template: cell C17 or cell E17)

7) Risk Parameters (this template is not for disclosure on a bank-by-bank basis)

Default rates

Default rate = Yearly default flow (gross of impairment and write-off) / Total amount of non-defaulted assets at the beginning of the 12 month period

It should be computed as the amount of original non defaulted exposures which have moved into the exposure class “exposures in default” during the 12 month period prior to the reference date and shall be reported against the exposure class to which the obligor originally belonged.

Loss rates

Loss rate: Yearly impairment and write-off flow on new defaulted assets / New defaulted assets (exposure gross of impairments and write-off) from the beginning of the 12 month period.

Credit Risk Parameters

PD and LGD should be considered as for capital requirements calculations. It is to be noted that only non-defaulted assets should be considered for the computation of the required exposure weighted average of both parameters.

Naming file

The file name should contain the following elements (in the order listed below) separated by “_” :

- EBA CODE : 5 digits
- Submission date: AAAAMMDD
- Exercise tag : TA2013

So for example for the a bank with an EBA code as ES001, submitting on the 25th November 2013 the file name will be

ES001_20131124_TA2013.xls

EBA contact

For any kind of support please contact us at: stress.test@eba.europa.eu