



11 December 2009

## **Guidelines on reporting requirements for the revised large exposures regime**

## Table of contents

<b>Introduction.....</b>	<b>3</b>
<b>Reporting requirements .....</b>	<b>5</b>
<i>A. CRD amendments with regard to the reporting of large exposures .....</i>	<i>5</i>
<i>B. Description of large exposures reporting templates.....</i>	<i>6</i>
<i>C. Reporting of 20 largest exposures for IRB banks .....</i>	<i>12</i>
<i>D. Details on the composition of groups of connected clients.....</i>	<i>13</i>
<b>Annex 1: Reporting Templates .....</b>	<b>15</b>
<b>Annex 2: Reporting ‘Template 1’ - references to COREP.....</b>	<b>16</b>
<b>Annex 3: Reporting ‘Template 1’ – Examples .....</b>	<b>17</b>
<b>Reporting ‘Template 2’ – Examples .....</b>	<b>18</b>

## Introduction

1. A revised large exposures regime is included in the amended Capital Requirements Directive<sup>1</sup> (referred to hereafter as the 'CRD').<sup>2</sup> The amendments will have to be transposed into Member States' national law by 31 October 2010 and will be applied from 31 December 2010.
2. In Article 74(2) of Directive 2006/48/EC a new requirement has been added stating that for the communication of the calculations under Article 75 (thus including large exposures) and through Article 110 explicitly referring to large exposures reporting to the competent authorities, uniform formats, frequencies and dates of reporting must be in place by 31 December 2012.
3. CEBS has considered various possible options for reporting that could best meet the objectives laid down in these provisions and is of the opinion that reporting based on reports defined by the competent authorities is the appropriate approach. Reports defined by the competent authorities (i.e. the development of a common template with common definitions of the information requested) would allow them to analyse the large exposures of the institutions on a horizontal basis and to make comparisons between different institutions. Furthermore, the definitions/risk metrics used in the reports of different institutions would be identical (which would not be the case if the internal reports of the institutions were used), and the processing of all the data received by the competent authorities would be facilitated. Building further on the lessons learned from COREP, CEBS recognizes that harmonization can only be successful if an identical template with unique data definitions for the information requested can be agreed among the competent authorities of the Member States in order to ensure that the institutions are reporting the same items in the same columns.
4. CEBS's work on COREP covers reporting requirements on Pillar 1 of the CRD, including large exposures. However, the reporting of large exposures has so far been omitted from that framework. In this context, CEBS has developed the common reporting templates and the respective guidance set out in these guidelines, which will be included into the COREP framework so as to

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<sup>1</sup> Capital Requirements Directive (CRD) is a technical expression which comprises Directive 2006/48/EC and Directive 2006/49/EC. Please note that, in general, references to "Directive 2006/48/EC" and "Directive 2006/49/EC", or "CRD" refer to the amended versions of the Directives. . The amending Directive – Directive 2009/111/EC of the European Parliament and of the Council of 16 September 2009 is published under: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:302:0097:0119:EN:PDF>

<sup>2</sup> The revised provisions on large exposures build on CEBS's advice to the European Commission. CEBS has issued two pieces of technical advices on large exposures. The first piece of advice, delivered during the course of 2006, included a [stock-take of current supervisory practices](#) and a [report on current industry practices](#). CEBS's second advice focused on substantive aspects of the large exposures framework and was called for in two parts. [Part 1 of the advice](#) was delivered in November and dealt with the objectives of a large exposures regime - the purpose, the need for and appropriate levels of large exposures limits; whether the large exposures regime can be considered to be achieving its objectives; examination of the 'metrics' for the calculation of exposure values; and consideration of the extent to which the credit quality of a counterparty can or should be recognised. [Part 2 of the advice](#) was delivered in April 2008 and addressed the questions of credit risk mitigation and indirect exposures; treatment of inter-bank exposures; treatment of intra-group exposures and other group-related issues; trading book aspects; scope of application of the regime including the question of whether a 'one size fits all' approach is desirable or not; consistency of definitions, in particular, the definition of connected clients; treatment of breaches of limits; and reporting requirements.

ensure a unified European reporting system. Therefore, large exposures' reporting will be based on the same standards (i.e. formats and platform) as the other COREP data. Also, the development of the templates was undertaken on the basic principle of the framework, i.e. to identify the items to be included on a "need-to-know"-basis.

5. On 12 June 2009, CEBS published a consultation paper (CP26)<sup>3</sup> on its preliminary proposals on the reporting requirements and other aspects of the revised large exposures regime. The consultation closed on 11 September 2009 and seventeen responses were received.<sup>4</sup> CEBS also organised a public hearing on 7 September 2009.<sup>5</sup> In addition, Members and Observers from the Consultative Panel were invited to nominate industry experts, who were invited to comment on previous drafts of the guidelines and provided CEBS with their technical input.<sup>6</sup>
6. CEBS has considered the feedback received and has reviewed the proposals published for consultation in order to address the main issues raised by market participants.<sup>7</sup> The guidelines set out in this paper are the result of that review. Although CEBS does not expect any changes to the content of the reporting templates or the guidance, there might be changes at a later stage, to ensure that the templates and guidance meet the uniform reporting format, terminology and other technical requirements being developed for the COREP framework. CEBS expects the revised COREP guidelines to be published for consultation in 2010, which will include the section on large exposures.<sup>8</sup>
7. The revised large exposures regime (thus including Article 110 of Directive 2006/48/EC setting out reporting details) shall be applied from 31 December 2010. As the uniform and binding reporting (COREP) according to Article 74(2) of Directive 2006/48/EC would have to be applied only from 31 December 2012<sup>9</sup>, there will be a two-year period during which common large exposures' reporting template will not be available under the binding COREP. Throughout this period, until the uniform and binding COREP framework is implemented, CEBS recommends that national supervisors incorporate the large exposures reporting as set out in these guidelines into their national reporting system.

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<sup>3</sup> The CP26 is published under: <http://www.c-eps.org/Publications/Consultation-Papers/All-consultations/CP21-CP30/CP26.aspx>

<sup>4</sup> Sixteen responses are public and are published on the CEBS website under: <http://www.c-eps.org/getdoc/9f78301c-2da1-4c62-b7d1-f17174a1ae0c/Responses-to-CP26.aspx>

<sup>5</sup> The summary of the public hearing is published under: <http://www.c-eps.org/getdoc/19377c30-c90d-4189-8e7a-2f538499ca76/CEBS-organises-a-public-hearing-on-its-draft-gyide.aspx>

<sup>6</sup> The list of industry experts is published on CEBS's website: <http://www.c-eps.org/getdoc/b4e8fb8b-6b94-47cd-a311-8006be40c753/Large-Exposures.aspx>

<sup>7</sup> The feedback statement on CP26 is published under: [http://www.c-eps.org/documents/Publications/Standards---Guidelines/2009/Large-exposures\\_all/Guidelines-on-Large-Exposures\\_Feedback-Documents.aspx](http://www.c-eps.org/documents/Publications/Standards---Guidelines/2009/Large-exposures_all/Guidelines-on-Large-Exposures_Feedback-Documents.aspx)

<sup>8</sup> In this context, CEBS would like to note that the section on large exposures will be included for the sake of completeness, but will not be open for further discussion, because with the publication of these guidelines, CEBS considers the work on large exposures reporting to be finalised.

<sup>9</sup> CEBS is currently working on the standardisation of COREP.

## Reporting requirements

8. This section starts with a description of the CRD amendments with regard to the reporting of large exposures. The main reporting table (Template 1) is described in the text, breaking it down into the information components required by Article 110(1) of Directive 2006/48/EC, using examples for illustration. The overall reporting table as well as all the definitions and illustrative examples are presented in Annexes 1, 2 and 3. In addition, the examples provided in Annex 3 are presented in an Excel spreadsheet where the calculations are visible.

### A. CRD amendments with regard to the reporting of large exposures

9. Reporting frequency: Article 110(2) of Directive 2006/48/EC no longer includes the former national discretion with regard to reporting frequency. Consequently, the CRD now requires that reporting of the information on large exposures is carried out at least twice a year. As the large exposures tables will be integrated into the COREP framework, the remittance dates and the frequency of reporting agreed will be adopted. COREP sets a general upper limit of quarterly reporting as the maximum from 2012.
10. Scope of reporting: In its advice, CEBS stressed that it would be important that exposures exempted from the large exposure limits should not be left out of the reporting requirements. This argument was taken up in Article 110(1) of Directive 2006/48/EC which now requires that information about every large exposures, i.e. exposures that equal or exceed the 10% limit, shall be reported to the competent authorities, "including large exposures exempted from the application of Article 111(1)" (e.g. intra-group exposures, exposures to sovereigns, etc; see Article 113 of Directive 2006/48/EC).
11. Content of reporting: Article 110(1) of Directive 2006/48/EC requires credit institutions to report to the competent authorities as a minimum the following information about every large exposure (including large exposures that need not be considered for the 25% large exposure limit, see Article 111(1) of Directive 2006/48/EC):
- (a) *"the identification of the client or the group of connected clients to which a credit institution has a large exposure;*
  - (b) *the exposure value before taking into account the effect of the credit risk mitigation, when applicable;*
  - (c) *where used, the type of funded or unfunded credit protection;*
  - (d) *the exposure value after taking into account the effect of the credit risk mitigation calculated for the purpose of Article 111(1)".*

Furthermore, credit institutions using the internal ratings based approach shall report their *"20 largest exposures on a consolidated basis, excluding those exempted from the application of Article 111(1)".*

12. Analysis of concentrations: In Article 110(3) of Directive 2006/48/EC, the former national discretion was removed and it now stipulates that credit institutions shall “analyse, to the extent possible, their exposures to collateral issuers, providers of unfunded credit protection and underlying assets pursuant to Article 106(3) for possible concentrations, and where appropriate, take action and report any significant findings to their competent authority”. Given the institution-specific nature of such an analysis, no standardised reporting scheme is proposed here.
13. Report of breaches: In general, exposures are to be reported at the reporting date (“point-in-time reporting”, i. e. figures as per reporting date). However, as credit institutions shall comply at all times with the limits laid down in Article 111(1) of Directive 2006/48/EC, an additional ad hoc-reporting requirement is stipulated in Article 111(4) of Directive 2006/48/EC<sup>10</sup> with regard to breaches of the backstop limit. In the exceptional cases where exposures exceed the limit, the value of the exposure shall be reported to the competent authorities without delay (i.e. as soon as the credit institution becomes aware of the breach). Where the circumstances warrant it, the competent authorities may allow the credit institution a limited period of time (based on circumstances and severity) in which to comply with the limit. Therefore, the ad hoc-reporting should also include the cause of the breach together with the plans to rectify the situation. As these breaches are expected to be exceptional cases and will have specific features, no standardised reporting is set up for the reporting of the breaches.

## B. Description of large exposures reporting templates

14. The template (Template 1) is constructed based on the four blocks of information given in Article 110(1) of Directive 2006/48/EC which are:
  - (a) Identification of client or group of connected clients;
  - (b) Exposure value before CRM;
  - (c) Type of credit protection;
  - (d) Exposure value after CRM.

### ***(a) Identification of client or group of connected clients***

15. According to Article 110(1) (a) of Directive 2006/48/EC, the credit institution shall report “the identification of the client or the group of connected clients” to which it has a large exposure. This wording should not be interpreted as a choice for the credit institution either to report the exposure to the client or the sum total of the exposures to the group of connected clients. Rather, the name (and code) of the group of connected clients as well as the individual clients themselves should be reported.<sup>11</sup>

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<sup>10</sup> See also the quarterly reporting requirement of breaches of limits according to Article 31 lit. e) of Directive 2006/49/EC (“institutions shall report to the competent authorities every three months all cases where the limits laid down in Article 111(1) and (2) of Directive 2006/48/EC have been exceeded during the preceding three months”).

<sup>11</sup> See also Note of the Council of the EU, Brussels, 19.11.2008, No (9).

16. CEBS proposes to fulfil this reporting requirement with a 2-Templates-Approach, i.e. the full information required by Article 110(1) of Directive 2006/48/EC is only reported (Template 1) for those exposures that exceed the 10% limit (as a single client or as a group of connected clients). Template 2 provides additional information on the composition of the group(s) of connected clients (giving the identification of the individual clients and the respective total gross and net exposures, but no further details).
17. In many EU countries credit reporting has been established as an automated process, taking into account the remarkable volume of credit reports. This allows reporting institutions to generate and submit their reports by electronic means and competent authorities to register and analyse the credit information systematically/automatically.
18. A precondition for an unambiguous identification is that an individual identification number for each "reporting institution", for each "client/borrower" and for each "group of connected clients" is used. This unique identification number then has to be used consistently by the reporting institution to fulfil its reporting requirements.
19. However, the nationally established coding systems are diverse and range from the use of institute-specific identification codes to centralised databases organised and administered by the competent authorities. While the institute-specific, decentralised system implies the least administrative burden for the reporting institutions, only a centralised system ensures that only one code for each client or group of connected clients (locally and cross-border) is used for the national reporting system. Thus, the centrally administered code allows the competent authority to identify and check the existence of large exposures to one and the same client (thus determining the systemic relevance/risk concentration of a single client having several large exposures at different banks). However, in both cases (centralised/decentralised system), an internationally active institution reporting on a consolidated basis needs to be able to identify clients with multiple business connections within the group (as the 25% limit needs also to be complied with on a consolidated basis).
20. CEBS notes that the established coding systems of the different Member States are diverse and range between centralised and decentralised systems. Ideally, EU reporting should be based on a unified reporting system which would ensure unique, non-interchangeable identification codes for each client/borrower and group of connected clients. Such a unified system would be to the benefit of both, supervisors and institutions as each client/borrower could be identified by one single code (thus reducing the reporting burden) which could be accessible, for example, via a common database. Such a system would facilitate the assignment of codes and the identification of connected clients (especially on a consolidated level). In particular, it could serve as an early warning system for institutions which discover, for example, that some of their clients have been considered as connected by somebody else. Of course this would also put supervisors in a position to challenge different decisions taken by different institutions. However, though such a system would be beneficial and desirable, given the considerable efforts necessary to change established coding systems, CEBS does not see the possibility to develop

and implement such a system in the short-term. Therefore, for the time being, CEBS recommends that the proposed reporting scheme be based on the currently available national coding systems. However, for the future, consideration should be given to whether a unified coding system should be developed.

21. Relevant columns of Template 1:

Identification of Counterparty		
Code (group or individual)	Institution	Name (group or individual)
LE 1.1	LE 1.2	LE 1.3

22. **Column LE 1.1 (Code):** The code for identification should allow the unambiguous identification of the client or group of connected clients. The actual composition of the code depends on the national reporting system. In use are serial (alpha)numeric numbers giving no additional information, but also codes that give some further information such as whether it is a credit institution or whether it is a single client or a group of connected clients.

23. **Column LE 1.2 (Institution):** Because of the diversity of the coding systems it is necessary to provide further identification characteristics, such as whether the counterparty is a credit institution or whether it belongs to the group of the reporting credit institution (i.e. intra-group exposures). Therefore, in column LE 1.2, the following information is to be given:

- "1" ... for non-credit institutions
- "2" ... for credit institutions (i.e. the counterparty meets the definition in Article 3(1) lit c) of Directive 2006/49/EC<sup>12</sup> or Article 107 of Directive 2006/48/EC<sup>13</sup>).
- "3" ... for intra-group credit institutions
- "4" ... for intra-group non-credit institutions

24. **Column LE 1.3 (Name):** Finally, for identifying the large exposures counterparty, the name of the client or the group of connected clients is to be reported. Again, the naming of the counterparty, especially in cases of groups of connected clients, depends on national or institutional practice.

#### ***(b) Exposure value before CRM***

25. According to Article 110(1)(b) of Directive 2006/48/EC the credit institution shall report "the exposure value before taking into account the effect of the credit risk mitigation, when applicable".

<sup>12</sup> Article 3(1) lit. c) of Directive 2006/49/EC provides the following definition: "*institutions' means credit institutions and investment firms*".

<sup>13</sup> Article 107 of Directive 2006/48/EC provides the following definition: "*the term 'credit institution' shall also cover any private or public undertaking, including its branches, which meets the definition of 'credit institution' and has been authorised in a third country*".

26. Relevant columns of Template 1:

Exposure value before CRM									
Exposure before risk provisioning					(-) Value adjustments and provisions	Total exposure before CRM		% of own funds before CRM	% of own funds before CRM BB
Total	Of which: Assets	Of which: Derivatives	Of which: Off-balance sheet	Of which: Indirect exposures			Of which: Banking book		
LE 1.4	LE 1.5	LE 1.6	LE 1.7	LE 1.8	LE 1.9	LE 1.10	LE 1.11	LE 1.12	LE 1.13

27. **Column LE 1.4:** The total exposure before risk provisioning (LE 1.4) constitutes the sum of LE 1.5, LE 1.6, LE 1.7 and LE 1.8.

28. **Columns LE 1.5 to LE 1.8:** The total exposure before risk provisioning (LE 1.4) is to be broken down into the following four categories (as referred to in Article 74 of Directive 2006/48/EC and Article 29 of Directive 2006/49/EC, excluding exposures in Article 106(2) of Directive 2006/48/EC):

- **“Assets”** (LE 1.5) – assets referred to in Article 74 of Directive 2006/48/EC and Article 29 of Directive 2006/49/EC not included in any other category. The balance sheet value before value adjustments and provisions;
- **“Derivatives”** (LE 1.6) – for derivative instruments subject to Annex III of Directive 2006/48/EC, the exposure will correspond to the Exposure Value for Counterparty Credit Risk calculated according to the methods laid down in Annex III of Directive 2006/48/EC before value adjustments and provisions;
- **“Off-balance sheet”** (LE 1.7) – the off-balance sheet value before value adjustments and provisions; and
- **“Indirect exposures”** (LE 1.8) - According to Article 117 of Directive 2006/48/EC, a credit institution may use the substitution approach where an exposure to a client is guaranteed by a third party, or secured by collateral issued by a third party. Such indirect exposures are to be reported in the framework of regular reporting, as the overall exposure with regard to a client (group of connected clients) has to be counted towards the 25% limit (see also Example 1 in Annex 3). Furthermore, indirect exposures arising from credit-linked notes should also be reported in this column (see also Example 6 in Annex 3<sup>14</sup>).

29. **Column LE 1.9:** Here, the value adjustments and provisions against the gross exposure given in LE 1.4 before CRM, i.e. the sum of value

<sup>14</sup> The Commission's answer to CRDTG-question No. 247 is very definite about the issue of indirect exposures: “both the exposure to the issuer of the note and to the obligor of the protected reference exposure have to be counted towards the limits for the respective client or group of connected clients”; See Answer to CRDTG question No. 247 on the website of the European Commission (> Regulatory Capital > Capital Requirements Directive Transposition Group).

adjustments and provisions for LE 1.5, LE 1.6, LE 1.7 and LE 1.8 is to be reported. This is a deduction item marked (-).

30. **Column LE 1.10 and LE 1.11:** The total exposure before CRM, i.e. the sum of LE 1.4 and LE 1.9, is to be reported in LE 1.10. The share of LE 1.10 that belongs to the banking book is reported in LE 1.11.
31. **Column LE 1.12 (% of own funds, total):** In order to calculate the 10% limit, the value of LE 1.10 is compared to the amount of own funds for large exposure purposes as given in COREP CA 1.3.LE (= total own funds relevant for the limits of large exposures when additional capital to cover market risks is not used) or COREP CA 1.6.LE (= total own funds relevant for the limits of large exposures when additional capital to cover market risks is used, i.e. when the discretion in Article 13(2) of Directive 2006/49/EC is exercised) (see also Example 5 in Annex 3).
32. **Column LE 1.13 (% of own funds, banking book):** In order to calculate the 10% limit, the value of LE 1.11 is compared to the amount of own funds for large exposure purposes given in COREP CA 1.3.LE (= total own funds relevant for the limits of large exposures when additional capital to cover market risks is not used).

#### Example (Credit-linked Note)<sup>15</sup>:

The reporting institution (own funds 100) has 2 large exposures (SPV 10 and Bank B 20). Within the reporting period a credit linked note (CLN) of 5 is bought from the SPV (i.e. the reporting institution sells protection), the underlying reference asset being Bank B.

Reporting Bank (own funds 100) buys CLN

- SPV loan 10 and CLN 5 referencing Bank B
- Bank B loan 20

Exposure value before CRM									
Exposure before risk provisioning					(-) Value adjustments and provisions	Total exposure before CRM		% of own funds before CRM	% of own funds before CRM BB
Total	Of which: Assets	Of which: Derivatives	Of which: Off-balance sheet	Of which: Indirect exposures			Of which: Banking book		
LE 1.4	LE 1.5	LE 1.6	LE 1.7	LE 1.8	LE 1.9	LE 1.10	LE 1.11	LE 1.12	LE 1.13
15	15					15	15	15%	15%
25	20			5		25	25	25%	25%

#### (c) Type of credit protection

33. According to Article 110(1) (c) of Directive 2006/48/EC, the credit institution shall report "where used, the type of funded or unfunded credit protection".
34. CEBS is of the opinion that a breakdown into unfunded credit protection (LE 1.14), funded credit protection (LE 1.15) and real estate (LE 1.16)

<sup>15</sup> See also Example 6 in Annex 3.

would be reasonable and sufficient. A further breakdown, e.g. into cash, mortgages, shares, debt securities, etc. would not add significant additional value from a supervisory perspective, especially against the background of the strict CRD requirements regarding the eligibility of collateral, treatment of mismatches and application of haircuts.

35. Relevant columns of Template 1:

Type of credit protection		
(-) Unfunded credit protection	(-) Funded credit protection	(-) Real estate
LE 1.14	LE 1.15	LE 1.16

36. **Column LE 1.14 (Unfunded credit protection):** The portion of the exposure which is protected by a guarantee or credit derivative and which is assigned to the protection provider rather than to the original client; this is a deduction item marked (-).

37. **Column LE 1.15 (Funded credit protection):** The portion of the exposure covered by collateral provided by the original client; this is a deduction item marked (-).

38. **Column LE 1.16 (Real estate):** Deduction of 50% of the market or mortgage lending value (as defined in Annex VIII, Part 3, points 62 to 65) of eligible property according to the requirements of Article 115 of Directive 2006/48/EC; this is a deduction item marked (-).

**(d) Exposure value after CRM**

39. According to Article 110(1) (d) of Directive 2006/48/EC, the credit institution shall report “the exposure value after taking into account the effect of the credit risk mitigation calculated for the purpose of Article 111(1)”.

40. Relevant columns of Template 1:

Exposure value after CRM					
Exposure value after CRM	(-) Article 113(3) (-) (4) exemptions if applicable	Exposure value after application of exemption s and weighting	Of which:	% of own funds total	% of own funds BB
			Banking book		
LE 1.17	LE 1.18	LE 1.19	LE 1.20	LE 1.21	LE 1.22

41. **Column LE 1.17:** The exposure value after CRM (LE 1.17) constitutes the sum of LE 1.10, LE 1.14, LE 1.15 and LE 1.16.

42. **Column LE 1.18:** The amount reducing the exposure value for large exposures based on Article 113(3) and the national implementation of Article 113(4) of Directive 2006/48/EC.
43. **Column LE 1.19 and LE 1.20:** The total exposure value after application of exemptions and weighting is to be reported in LE 1.19 (= sum of LE 1.17 and LE 1.18). The share of LE 1.19 that belongs to the Banking book is reported in LE 1.20.
44. **Column LE 1.21 (% of own funds, total):** In order to verify the 25% limit, the value of LE 1.19 is compared to the amount of own funds for large exposure purposes as given in COREP CA 1.3.LE (= total own funds relevant for the limits of large exposures when additional capital to cover market risks is not used) or COREP CA 1.6.LE (= total own funds relevant for the limits of large exposures when additional capital to cover market risks is used, i.e. when the discretion in Article 13(2) of Directive 2006/49/EC is exercised) (see also Example 5 in Annex 3).
45. **Column LE 1.22 (% of own funds, banking book):** In order to verify the 25% limit, the value of LE 1.20 is compared to the amount of own funds for large exposure purposes given in COREP CA 1.3.LE (= total own funds relevant for the limits of large exposures when additional capital to cover market risks is not used).

### C. Reporting of 20 largest exposures for IRB banks

46. Article 110(1), last sentence, of Directive 2006/48/EC requires the reporting of the 20 largest exposures on a consolidated basis<sup>16</sup>. However, to limit the administrative burden, the additional reporting requirement was limited to institutions that apply the IRB approach (i.e. credit institutions subject to Articles 84 to 89 of Directive 2006/48/EC). Furthermore, the scope of this reporting requirement excludes exposures that are exempted from the application of Article 111(1) of Directive 2006/48/EC. These exposures shall be reported in the same way as large exposures according to Article 108 of Directive 2006/48/EC.
47. Examples to comply with Article 110(1), last sentence, of Directive 2006/48/EC:
  - an IRB bank with no large exposures (as defined in Article 108 of Directive 2006/48/EC) has to report its 20 largest exposures (Template 1, calculation based on column LE 1.10, i.e. after provisioning, before CRM);
  - an IRB bank with 5 large exposures (a group of connected clients is considered as one large exposure) must report its 15 next largest exposures;

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<sup>16</sup> The 10% limit is considered to be high from a risk management point of view. Therefore, larger institutions in particular usually don't have many large exposures due to the volume of their own funds. Extending the reporting to the 20 largest exposures gives the competent authorities useful information on the risk profile of these institutions which they would otherwise not receive via regular reporting.

- an IRB bank with 5 large exposures of which 2 are exempted, must not only report these 5 large exposures, but should complete its reporting by including its 17 next largest (non-exempted) exposures;
- an IRB bank with 20 or more large exposures must report the large exposures and nothing else, and;
- a SA bank needs only to report its large exposures (as defined in Article 108 of Directive 2006/48/EC).

48. However, CEBS would like to point out that there are Member States where the information in question is available to the competent authorities through other channels, e.g. credit registers. In those cases, the reporting of the 20 largest exposures should not be requested twice.

#### D. Details on the composition of groups of connected clients

49. As for each group of connected clients meeting the definition of large exposures, only one line has to be reported in Template 1, an extra template (see Template 2 below) is needed to report the composition of the group(s) of connected clients. In the first column (LE 2.1), the identification number of the group of connected clients is to be reported; in the next three columns the identification data (LE 2.2 to LE 2.4) and in the last two columns (LE 2.5) the total exposure before CRM (i.e. after value adjustments and provisions)<sup>17</sup> and (LE 2.6) the total exposure after CRM (and the application of exemptions and weighting)<sup>18</sup> of all individual clients constituting the group to which an exposure exists that contribute to the value of the large exposure to the group of connected clients.

50. **Template 2:**

Identification of Group of Connected Clients					
Code (group)	Code (individual)	Institution	Name	Exposure before CRM	Exposure value after exemptions and weighting
LE 2.1	LE 2.2	LE 2.3	LE 2.4	LE 2.5	LE 2.6

<sup>17</sup> LE 2.5 corresponds to LE 1.10.

<sup>18</sup> LE 2.6 corresponds to LE 1.19.

**Example (Identification of Counterparties):**

The reporting institution (own funds 100) has 4 large exposures. The identification part of Template 1 is to be filled in as follows:

<b>Identification of Counterparty</b>		
Code (group or individual)	Institution	Name (group or individual)
LE 1.1	LE 1.2	LE 1.3
12345678	2	Bank A
12345679	1	Individual A
12345680	3	Bank B
12345681		Group A

Template 2:

<b>Identification of Group of Connected Clients</b>					
Code (group)	Code (individual)	Institution	Name	Exposure before CRM	Exposure value after exemptions and weighting
LE 2.1	LE 2.2	LE 2.3	LE 2.4	LE 2.5	LE 2.6
12345681	12345682	2	Bank C	20	20
12345681	12345683	1	Individual B	15	15
12345681	12345684	1	Individual C	5	5
12345681	12345685	1	Individual D	2	2

# Annex 1: Reporting Templates

## Reporting 'Template 1'

Identification of counterparty			Exposure value before CRM										Type of credit protection			Exposure value after CRM					
Code	Institution	Name	Exposure before risk provisioning					(-) Value adjustments and provisions	Total exposure before CRM		% of own funds before CRM	% of own funds before CRM BB	(-) Unfunded credit protection	(-) Funded credit protection	(-) Real estate	Exposure value after CRM	(-) Article 113(3) (-) (4) exemptions if applicable	Exposure value after application of exemptions and weighting	Of which: Banking book	% of own funds total	% of own funds BB
			Total	Of which: Assets	Of which: Derivatives	Of which: Off-balance sheet	Of which: Indirect exposures		Of which: Banking book												
LE 1.1	LE 1.2	LE 1.3	LE 1.4	LE 1.5	LE 1.6	LE 1.7	LE 1.8	LE 1.9	LE 1.10	LE 1.11	LE 1.12	LE 1.13	LE 1.14	LE 1.15	LE 1.16	LE 1.17	LE 1.18	LE 1.19	LE 1.20	LE 1.21	LE 1.22

## Reporting 'Template 2'

Identification of Group of Connected Clients					
Code (group)	Code (individual)	Institution	Name	Exposure before CRM	Exposure value after exemptions and weighting
LE 2.1	LE 2.2	LE 2.3	LE 2.4	LE 2.5	LE 2.6

## Annex 2: Reporting 'Template 1' - references to COREP

ID	Label	Legal References & Comments
COLUMNS		
1	Code	Identification code for the counterparty assigned by the supervisor in the country of origin of the institution
2	Institution	1 for non-credit institutions; 2 for credit institutions (counterparty meets the definition in Article 3(c) of Directive 2006/49/EC or Article 107 of Directive 2006/48/EC); 3 for intra-group credit institutions; 4 for intra-group non credit institutions
3	Name	Name of the counterparty
4	Exposure before risk provisioning: Total	Columns 5+6+7+8; Article 74 paragraph 1 of Directive 2006/48/EC and Article 29 of Directive 2006/49/EC excluding the exposures in Article 106 paragraph 2 of Directive 2006/48/EC. Exposure value without taking into account value adjustments and provisions, conversion factors and the effect of credit risk mitigation techniques. For derivative instruments subject to Annex III of Directive 2006/48/EC, the exposure will correspond to the Exposure Value for Counterparty Credit Risk calculated according to the methods laid down in Annex III of Directive 2006/48/EC.
5	Of which: Assets	Balance sheet value before value adjustments and provisions; assets referred to in Article 74 of Directive 2006/48/EC and Article 29 of Directive 2006/49/EC not included in any other category. (Banking- and trading book)
6	Of which: Derivatives	For derivative instruments subject to Annex III of Directive 2006/48/EC, the exposure will correspond to the Exposure Value for Counterparty Credit Risk calculated according to the methods laid down in Annex III of Directive 2006/48/EC before value adjustments and provisions; items included in Annex IV of Directive 2006/48/EC. (Banking- and trading book)
7	Of which: Off-balance sheet	Off- balance sheet value before value adjustments and provisions; items included in Annex II of Directive 2006/48/EC. (Banking- and trading book)
8	Of which: Indirect exposures	Guarantees provided for other clients, Article 117 paragraph 1 of Directive 2006/48/EC. Credit risk mitigation techniques that increase the exposure on the guarantor or third party via substitution. Indirect exposures arising from credit derivatives. (Banking- and trading book)
9	(-) Value adjustments and provisions	Sum of value adjustments and provisions for columns 5+6+7+8; value adjustment and provisions included in the corresponding accounting framework (Directive 86/635/EEC or Regulation 1606/2002) that affect the valuation of assets and off-balance sheet items according to Article 74 paragraph 1 of Directive 2006/48/EC.
10	Total exposure before CRM	Columns 4+9
11	Of which: Banking book	Share of 10 which belongs to the Banking book
12	% of own funds before CRM	10 / of own funds (Tier 1+Tier 2, COREP 1.3.LE), or if ND of Article 13(2) CAD has been exercised 10 / of own funds (Tier 1+Tier 2 + Tier 3, COREP 1.6.LE)
13	% of own funds before CRM BB	11 / of own funds (Tier 1+Tier 2, COREP CA 1.3.LE)
14	(-) Unfunded credit protection	Unfunded Credit Protection as defined in Article 4 (32) of Directive 2006/48/EC and referred to in Articles 113 to 117 of Directive 2006/48/EC that reduces the exposure on the counterparty. The amount to report is defined in Article 117 paragraph 2 of Directive 2006/48/EC.
15	(-) Funded credit protection	Article 4 definition 31 of Directive 2006/48/EC. The funded credit protection referred to in Articles 112 to 117 excluding Article 115 that reduces the exposure on the counterparty. The amount to report is defined in Articles 114 of Directive 2006/48/EC.
16	(-) Real estate	Eligible real estate referred to in Article 115 of Directive 2006/48/EC
17	Exposure value after CRM	Columns 10+14+15+16
18	(-) Article 113(3) (-) (4) exemptions if applicable	Article 113(3) exemptions and Article 113(4) exemptions if applicable
19	Exposure value after appl. of exemptions and weighting	Columns 17+18
20	Of which: Banking book	Share of 19 which belongs to the Banking book, Article 30 paragraph 1 of Directive 2006/49/EC.
21	% of own funds total	19 / of own funds (Tier 1+Tier 2, COREP 1.3.LE), or if ND of Article 13(2) CAD has been exercised 19 / of own funds (Tier 1+Tier 2 + Tier 3, COREP 1.6.LE)
22	% of own funds BB	20 / of own funds (Tier 1+Tier 2, COREP 1.3.LE)
COREP CA Template 2.6.3	(-) deductions from own funds	Article 106(1) third subparagraph of Directive 2006/48/EC
COREP CA Template 1.6.6 or 2.6.3	(-) additional capital requirement in trading book	Additional capital requirements for the part of the exposure in the trading book which exceeds the 25% according to Article 31(b) of Directive 2006/49/EC. In case of institutions 25% or 150 mio (or lower limit set by the supervisor).

## Annex 3: Reporting 'Template 1' – Examples

Column:	Title:	Description:	Ex. 1a:		Ex. 1b:		Ex. 2:	Ex. 3:			Ex. 4:	Ex. 5:				Ex. 6:			Ex. 7:	Ex. 8:	Ex. 9:	Ex. 10:
1	Code	Identification code for the counterparty or group based on national practices	...	...	...	Not to be reported, just for illustration	...	...	...	...	...	Not to be reported, just for illustration				Not to be reported, just for illustration			...	...	...	...
2	Institution	"1" for non-credit institutions; "2" for credit institutions (counterparty meets the definition in Article 3(c) of Directive 2006/49/EC or Article 107 of Directive 2006/48/EC); "3" for intra-group credit institutions; "4" for intra-group non-credit institutions	2	2	2	2	1	2	2	2	2	2	2	2	2	1	2	2	2	2	2	2
3	Name	Name of the counterparty or "Group"	Bank A	Bank B	Bank A	Bank B	Company A	Bank A	MDB	MGS	Bank A	Bank B	Bank C	Bank D	BCD group	SPV	Bank B	SPV/B group	Bank A	Bank A	Bank A	Bank A
4	Exposure before risk provisioning: Total	5+6+7+8	100	50	100	10	120	70	50	40	150	15	20	20	55	15	25	35	80	80	80	50
5	Of which: Assets	Assets referred to in Article 74 of Directive 2006/48/EC and Article 29 of Directive 2006/49/EC not included in any other category.	100	10	100	10	100	70	50	0	150	15	20	20	55	15	20	35	80	80	80	50
6	Of which: Derivatives	Balance sheet value before value adjustments and provisions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7	Of which: Off-balance sheet	Off-balance sheet value before value adjustments and provisions	0	0	0	0	20	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8	Of which: Indirect exposures	Article 117 paragraph 1 of Directive 2006/48/EC. Credit risk mitigation techniques that increase the exposure on the guarantor or third party via substitution. Indirect exposures arising from credit derivatives	0	40	0	0	0	0	0	40	0	0	0	0	0	0	5	0	0	0	0	0
9	(-) Value adjustments and provisions	Sum of value adjustments and provisions for 5+6+7+8	0	0	0	0	0	-40	0	0	0	-5	0	0	-5	0	0	0	0	0	0	0
10	Total exposure before CRM	4+9	100	50	100	10	120	30	50	40	150	10	20	20	50	15	25	35	80	80	80	50
11	Of which: Banking book	Share of 10 which belongs to the Banking book	100	50	100	10	120	30	50	40	90	10	20	20	50	15	25	35	80	0	0	50
12	% of own funds total	10 / of own funds (Tier 1+Tier 2, COREP 1.3.LE), or if ND of Article 13(2) CAD has been exercised 10 / of own funds (Tier 1+Tier 2 + Tier 3, COREP 1.6.LE)	25%	13%	25%	3%	40%	10%	17%	13%	43%	10%	20%	20%	50%	15%	25%	35%	27%	24%	27%	17%
13	% of own funds BB before CRM	11 / of own funds (Tier 1+Tier 2, COREP CA 1.3.LE)	25%	13%	25%	3%	40%	10%	17%	13%	30%	10%	20%	20%	50%	15%	25%	35%	27%	0%	0%	17%
14	(-) Unfunded credit protection	Eligible unfunded credit protection	-40	0	0	0	0	0	0	0	0	0	-10	0	-10	0	0	0	0	0	0	0
15	(-) Funded credit protection	Eligible funded credit protection	0	0	0	0	-15	0	0	0	-65	0	0	0	0	0	0	0	0	0	0	0
16	(-) Real estate	Eligible real estate	0	0	0	0	-40	0	0	0	0	0	0	-2	-2	0	0	0	0	0	0	0
17	Exposure value after CRM	10+14+15+16	60	50	100	10	65	30	50	40	85	10	10	18	38	15	25	35	80	80	80	50
18	(-) Article 113(3) - (4) exemptions if applicable	Article 113(3) exemptions and Article 113(4) exemptions if applicable	0	0	0	0	0	0	-50	-32	0	0	0	0	0	0	0	0	-60	0	0	0
19	Exposure value after appl. of exemptions and weighing	17+18	60	50	100	10	65	30	0	8	85	10	10	18	38	15	25	35	20	80	80	50
20	Of which: Banking book	Share of 19 which belongs to the Banking book	60	50	100	10	65	30	0	8	25	10	10	18	38	15	25	35	20	0	0	50
21	% of own funds total	19 / of own funds (Tier 1+Tier 2, COREP 1.3.LE), or if ND of Article 13(2) CAD has been exercised 19 / of own funds (Tier 1+Tier 2 + Tier 3, COREP 1.6.LE)	15%	13%	25%	3%	22%	10%	0%	3%	24%	10%	10%	18%	38%	15%	25%	35%	7%	24%	27%	17%
22	% of own funds Banking book	20 / of own funds (Tier 1+Tier 2, COREP CA 1.3.LE)	15%	13%	25%	3%	22%	10%	0%	3%	8%	10%	10%	18%	38%	15%	25%	35%	7%	0%	0%	17%
		Own funds Tier 1 + Tier 2 + Tier 3 (COREP CA 1.6.LE)	400	400	400	400	300	300	300	300	350	100	100	100	100	100	100	100	300	340	300	300
		Own funds Tier 1 + Tier 2 (COREP CA 1.3.LE)	400	400	400	400	300	300	300	300	300	100	100	100	100	100	100	100	300	300	300	300
COREP CA Template 2.6.3	(-) deductions from own funds	Article 106(1) third subparagraph of Directive 2006/48/EC																				-100
COREP CA Template 1.6.6 or 2.6.3	(-) additional capital requirement in trading book	Additional capital requirements for the part of the exposure in the trading book which exceeds the 25% according to Article 31(b) of Directive 2006/49/EC. In case of institutions 25% or 150 mio (or lower limit set by the supervisor).																				-10

## Reporting 'Template 2' – Examples

	Template 2 of Ex. 5:				Template 2 of Ex. 6:		
Code (group)	1111	1111	1111	1111	2222	2222	2222
Code (indiv)	BBB	CCC	DDD		SSS	BBB	
Institution	2	2	2		1	2	
Name	Bank B	Bank C	Bank D	BCD group	SPV	Bank B	SPV/B group
Exposure before CRM	10	20	20	50	15	25	35
Exposure Value after exemptions and weighting	10	10	18	38	15	25	35

**Details on the Examples set out in the tables above (and in the Excel spreadsheet annex to this paper):**

**Example 1a: Bank X (own funds 400)** – The reporting Bank X uses the substitution approach

- Bank A loan 100
- Bank B provides guarantee of 40 for Bank A
- Bank B loan 10

**Example 1b:** same as Example 1a, but no substitution

**Example 2: Bank X (own funds 300)** – The reporting Bank X uses the financial collateral comprehensive method.

- Company A loan 100
- Bank X provides guarantee of 20 for company A (for a loan from another bank)
- RRE collateral 80, i.e. 50% = 40
- Bank C bond 20 as collateral for loan to Company A (haircuts according to CRM equal to 5)

**Example 3: Bank X (own funds 300)**

- Bank A loan 30 (40 provisions, gross amount 70)
- Loan 50 to multilateral development bank with 0% risk weight
- Guarantee of 40 from Mutual Guarantee Scheme (MGS), eligible for the treatment under Article 113(4) (i); (Member State has exercised this national discretion by fully exempting exposures which fall under Article 113(4) (i). Calculation: Guarantee 40, MS has fully exempted exposures according to Article 113(4) (i), therefore 80% of 40 = 32 are exempted.

**Example 4: Bank X (Tier 1 + Tier 2 = 300; Tier 3 = 50)**

- Bank A loan 90 (65 funded credit protection)
- Bank A trading book exposure 60

**Example 5: BCD Group (own funds 100)** - The reporting Bank X has 3 large exposures vis-à-vis Bank B, Bank C and Bank D. The three banks are interconnected and therefore grouped into “BCD group”.

- Bank B loan 10; value adjustment on loan 5, i.e. exposure value = 15
- Bank C loan 20 (guarantee by central government 10, i.e. exposure value of loan = 10)
- Bank D loan 10 + 10 mortgage (value of property = 4)

**Example 6: Bank X (own funds 100)** - The reporting Bank X (own funds 100) has 2 large exposures (SPV 10 and Bank B 20). Within the reporting period a credit linked note (CLN) of 5 is bought from the SPV (i.e. the reporting institutions sells protection), the underlying reference asset being Bank B. The SPV and Bank B are connected clients.

- SPV loan 10 and CLN 5 referencing at Bank B
- Bank B loan 20

**Example 7: Bank X (own funds 300)**

- Bank A loan 80 which falls under Article 113(4) (d) and the Member State has exercised this discretion partially, here 75%.

**Example 8: Bank X (Tier 1 + Tier 2 = 300; Tier 3 = 40)**

- Bank A trading book exposure 80

**Example 9: Bank X (Tier 1 + Tier 2 = 300)**

- Bank A trading book exposure 80
- Additional capital requirements for trading book 10 (200%); calculation exposure 75 = 25% own funds, excess exposure of 5, therefore  $5 * 200\% = 10$ .

**Example 10: Bank X (Tier 1 + Tier 2 = 300)**

- Bank A loan 100
- Participation in Bank A of 100 (exceeding 10% of own funds of Bank A)(deduction according to Article 66 in connection with Article 57 of Directive 2006/48/EC)