

17 September 2009

Consultation Paper on the Extension of the CEBS's Supervisory Disclosure Framework

Introduction

1. CEBS has developed a web-based framework for supervisory disclosure, which has been implemented at both EU and national levels since early 2007.¹ CEBS believes that this common framework is the right tool to enhance the transparency and effectiveness of supervision, to help promote a level playing field and to contribute significantly to the consistent implementation of community legislation across the EU². The framework also contributes significantly to the implementation of the Council's conclusions on the common formats for the disclosure of national transposition and implementation of EU legislation.
2. The current supervisory disclosure framework only covers the Capital Requirements Directive (CRD) – the legislative provisions and the supervisory application of the rules (e.g. the supervisory review process under Pillar 2) and statistical data on the implementation of the CRD - and disclosures on reporting (COREP/FINREP). However, CEBS has decided to develop the common framework further and to extend it to other areas of community legislation during the course of 2009.
3. CEBS is keen to continue its dialogue with the industry - commenced during the earlier stages of CEBS's work on supervisory disclosures - to discuss the practical relevance of the templates. In accordance with CEBS's consultation guidelines (CP 01 rev) this consultation paper is therefore published on CEBS's website for a public consultation until 16 October 2009. CEBS is interested in stakeholders' views on the whole consultation paper. However, where specific input is requested, questions have been inserted.
4. **Responses should be sent to the following email address: cp29@c-eps.org.** Comments received will be published on CEBS's website unless respondents request otherwise. In addition, a **public hearing** will be organized on **5 October 2009** at CEBS's premises in London from 10:00 to 13:00 to allow interested parties to share their views with CEBS.

¹ <http://www.c-eps.org/Supervisory-Disclosure.aspx>

² Article 144 of the Directive 2006/48/EC requires supervisors to make disclosures that allow meaningful comparison of supervisory rules and practices across the EU. CEBS's framework facilitates the consistent implementation of Article 144.

Extension of the Supervisory Disclosure Framework

5. As set out in CEBS's work programme for 2009, the framework should be extended to other areas of Community legislation. Early feedback from the industry (in the context of the consultation on the guidelines on supervisory disclosure in 2005) indicated that the framework should be extended to the entirety of Directives 2006/48/EC and 2006/49/EC.
6. Following previous suggestions from CEBS members and the industry, and pursuant to current regulatory and supervisory developments, CEBS has decided to extend the SD framework to the following areas:
 - *Mergers & Acquisitions;*
 - *Securitisation;*
 - *CRM;*
 - *National discretions* in Directives 2006/48/EC and 2006/49/EC, national discretions on large exposures in the CRD2;
 - *Pillar 2; and*
 - *Pillar 3.*
7. ***Mergers & Acquisitions.*** Extend the current framework with general information on the transposition of the assessment criteria from Directive 2007/44/EC and the concomitant 3L3 guidelines, to provide a comparative overview of the harmonised process for the undertaking of assessments in different Member States. Include a list of the information required from legal entities and natural persons which takes into account the clarifications of eligible criteria and different definitions (e.g. of change of control) provided within the 3L3 guidelines on acquisitions and mergers.
8. ***Securitisation.*** Improve the current framework with complementary information to the Credit risk data template and extend the current framework by taking into account the changes in the CRD where the competent authorities are required to disclose information on securitization (see paragraph 9 of the Article 122a).
9. ***CRM.*** Extend the current framework with general information on the use of these techniques and the approach adopted in respect of their implementation to give a clear overview of this area to stakeholders. The extension refers to the relevant area of the CRD and provides a short description of the identified area as well. In addition, it indicates what kind of information should be disclosed in relation to these provisions.
10. ***National discretions*** in Directives 2006/48/EC and 2006/49/EC and national discretions relating to large exposures in the CRD³. CEBS has identified more than 20 national discretions which it considers should be included in the current template on national discretions. It has also identified several national discretions

³ It was noted that the national discretions currently disclosed in the disclosure framework refer only to the ones introduced by Basel II text in Directives 2006/48/EC and 2006/49/EC.

which should be excluded from the current framework because either they are not actually national discretions but provisions subject to permission of competent authorities, or have expired due to their transitional nature. There are several national discretions that will be sub-divided in the template to give a more granular and clearer comparative overview.

11. **Pillar 2.** Apart from statistical data on Pillar 2 supervisory actions and measures, CEBS has noted that, without changing the current generic statistical data, further extension of the SD framework would be merited with respect to the Supervisory Review Process template through disclosure of a set of qualitative information on SREP.
12. **Pillar 3.** CEBS notes that in this area the possible content of supervisory disclosures could comprise the possible specific requirements of competent authorities with regard to the location, frequency, verification process, etc. of the pillar 3 disclosures provided by credit institutions.
13. With respect to the area of **large exposures** which is currently under review through, inter alia, the development of further guidelines at CEBS level, CEBS has decided not to develop a set of supervisory disclosures until this work has been finalised to prevent any possible duplication and eliminate any discrepancies and inconsistencies which could arise. However, CEBS has decided to include those national discretions that have been introduced by the CRD2 as part of other changes to the national discretions and options template.
14. On the other hand, CEBS agreed that disclosures relating to **colleges** could be included in the current framework to a limited extent. Accordingly, only general information would be disclosed, i.e. the number of colleges the supervisory authority is member of, its role in the college (consolidating or host supervisor), existence of a core college and the number of agreements in place.
15. Taking into account these observations and recommendations, CEBS has developed a set of templates and related guidance for the extension of the current SD framework. CEBS is interested in stakeholders' views on the whole consultation paper.

Questions to the industry:

1. Do you see the information which CEBS has identified for possible supervisory disclosures of added value to the supervisory disclosure framework? Please explain how you would use this additional information?
2. Would it be particularly helpful to disclose more statistical data in the identified areas of supervisory disclosures? Please explain how useful the current statistical disclosures are?
3. Is the information which is planned to be disclosed in the respective areas sufficient or are there further areas where additional supervisory disclosure would be helpful? Please provide additional proposals. Please provide information about the respective provisions and detail what kind of information about supervisory practices should be disclosed in relation to these provisions.

4. Would additional (more granular) disclosures on web pages of national supervisory authorities be of interest to you? Please explain how they would benefit you.

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Background

16. CEBS has developed a web-based framework for supervisory disclosure, which has been implemented both at EU and national levels since early 2007.⁴ CEBS believes that this common framework is the right tool to enhance the transparency and effectiveness of supervision, help to promote a level playing field and contribute significantly to the consistent implementation of Community legislation across the EU⁵. The supervisory disclosure framework also contributes significantly to the implementation of the Council's conclusions on common formats for the disclosure of national transposition and implementation of EU legislation.
17. The current supervisory disclosure framework covers only the Capital Requirements Directive (CRD) – the legislative provisions and supervisory application of the rules (e.g. the supervisory review process under Pillar 2) and statistical data on the implementation of the CRD - and disclosures on reporting (COREP/FINREP). However, CEBS has decided to develop further the common framework and to extend it to other areas of community legislation during the course of 2009.

Methodology

18. CEBS has developed new templates to extend the current supervisory disclosure framework with regard to current regulatory and supervisory developments and on the basis of the present Supervisory Disclosure requirements in the CRD.

Draft new templates and guidance

Pillar 2

19. As part of the review of the supervisory disclosure template, reference was made to the CEBS Guidelines on Supervisory Disclosure⁶, the CEBS Guidelines on the

⁴ <http://www.c-ebs.org/Supervisory-Disclosure.aspx>

⁵ Article 144 of Directive 2006/48/EC requires supervisors to make disclosures that allow meaningful comparisons of supervisory rules and practices across the EU. CEBS's framework facilitates the consistent implementation of Article 144.

⁶ <http://www.c-ebs.org/getdoc/b5596f91-8aeb-4bf4-8bb6-d5a11f9ef38c/CEBS-Guidelines-on-Supervisory-Disclosure-Framewor.aspx>

Application of the Supervisory Review Process under Pillar 2⁷ and the CEBS supervisory disclosure template⁸.

20. The CEBS supervisory disclosure template was also reviewed in order to see how the disclosures in this template compared between the different competent authorities. CEBS noted that there was a significant level of information input into the template by those competent authorities that completed it. CEBS was concerned that the template could potentially be overloaded with information if additional information was to be included. Therefore, CEBS identified additional information that could be provided in an extended template on the Supervisory Review Process with the following objectives:

- providing greater harmonisation of information;
- employing point format;
- providing hyperlinks to relevant documents (in some cases) instead of providing narrative text;
- overall streamlining of the information;
- removal of all general statements, many of which do not provide much value to the reader. For example, providing information on the ICAAP (which is common to all competent authorities); and
- unnecessary or repeated references to CEBS guidelines or the CRD as these form the basis for all competent authorities' SREP. An example here is the supervisory measures available, which are repeated by a number of competent authorities.

21. CEBS therefore decided to change the Supervisory Review template and make it more granular to provide the reader with more qualitative information on the Supervisory Review Process in different Member States. Only those disclosures that would not raise any confidentiality, or similar, issues and provide added value were inserted in this template, with executive summaries also added which give an overview of the topics and provide the reader with additional examples , and with hyperlinks to national provisions.

22. CEBS also drafted additional guidance to complement the CEBS Guidelines on Supervisory Disclosure⁹.

Draft guidance on the completion of the Supervisory Review Process template (revised) (Pillar 2)

When completing the revised supervisory disclosure template, competent authorities should continue to follow the guidelines set out in Section 3 of the 'CEBS guidelines

⁷ <http://www.c-eps.org/getdoc/00ec6db3-bb41-467c-acb9-8e271f617675/GL03.aspx>

⁸ http://www.c-eps.org/documents/Supervisory-Disclosure/spreadsheets/other/supervisory_review.aspx

⁹ <http://www.c-eps.org/getdoc/b5596f91-8aeb-4bf4-8bb6-d5a11f9ef38c/CEBS-Guidelines-on-Supervisory-Disclosure-Framewor.aspx>

on Supervisory Disclosure – updated’. As noted in Point 78 of these guidelines, ‘competent authorities will be required to disclose the criteria and methodologies used in the first three categories and for the overall assessments in the fourth category’. In addition, the following points should be taken into account for each of the conceptual ‘building blocks’ which will provide greater clarity.

Scope of Application of SREP

- Competent authorities should explicitly state which entities are covered in the SREP i.e. is it applied to each credit institution, investment firm and fund management company?
- Competent authorities should provide a high-level overview of how it addresses proportionality when considering the scope of its SREP both at the institutional level and in respect of its own resources.

Individual Risk Assessment

- Competent authorities should provide overview of their risk assessment process outlining the criteria and scoring methodology for applying the risk assessment to entities, taking proportionality into account. Competent authorities should also say what the risk assessment is based on i.e. on-site inspections and off-site examinations, qualitative and quantitative criteria, statistical data etc.. Hyperlink to any guidance on the website of the competent authorities should also be provided.

Review and Evaluation of ICAAP

- Competent authorities should provide an overview of the ICAAP submission process e.g. whether a suggested format is utilised (i.e. an ICAAP portal) and provide a hyperlink to any guidance issued. Competent authorities should also clarify whether an independent review of the ICAAP is required.

Overall Assessment and Supervisory Measures

- Competent authorities should provide information regarding the implications if a credit institution violates a relevant legal provision i.e. restricting or limiting its business operations.

Table 1: Template Supervisory Review Process (revised) (Pillar 2)

D I A L O G U E	I N T E R A C T I O N	SREP	CEBS	COUNTRY
		Scope of Application of SREP	Member State Guidance on 'Scope of Application of SREP' (including what entities are covered (and excluded) from the SREP, a high-level overview of how it addresses proportionality when considering the scope of its SREP, i.e. at institutions level and in respect of its own resources, and confirm whether it publishes guidance on the scope of application and if so where this can be located or provide a hyperlink to the guidance on its website)	
Individual risk assessment	Member State Guidance on 'Individual Risk Assessment' (including a high-level overview of the risk assessment process outlining the criteria and scoring methodology for applying the risk assessment of entities subject to RAS taking proportionality into account, advice to the institutions what the risk assessment is based on i.e. on-site inspections and off-site examinations, qualitative and quantitative criteria, statistical data, and confirmation whether it publishes guidance of its risk assessment process and if so where these can be located or provide a hyperlink to this guidance on its website)			
Review and evaluation of ICAAP	Member State Guidance on 'Review and evaluation of ICAAP' (the explanatory note covering the ICAAP guidelines and provide an overview of the ICAAP submission process, e.g., whether a suggested format is utilised e.g. an ICAAP portal. In particular, the authority should clarify whether an independent review of the ICAAP is required)			
Overall assessment and supervisory measures	Member States 'ICAAP Portal' (policies and guidance on the SREP/ICAAP process and frequency, and if so where one can find details of this or they could provide a hyperlink to these details on its website)			
	Member States Guidance on 'Overall Assessment and Supervisory Measures'			

Pillar 3

23. The draft Pillar 3 template provides information on the options and discretionary issues relating to the implementation within Member States of the Pillar 3 requirements specified in the CRD.
24. It provides information on the actual application of different Pillar 3 provisions in the CRD, i.e.
- implementation of national measure;
 - powers of the competent authority to require certain disclosures by credit institutions; and
 - the information utilised by competent authorities in their determination of what constitutes a 'significant subsidiary'.
25. Member States will be asked to comment on their decisions, provide further information if needed, and provide any qualitative and/or quantitative details regarding measures taken in this respect.
26. CEBS has also drafted guidance to complement the CEBS Guidelines on Supervisory Disclosure¹⁰.

Draft guidance on the completion of the template on Pillar 3 information

The template provides information relating to the implementation within Member States of the Pillar 3 requirements specified in the CRD, and as amended from time to time.

The template comprises 4 columns:

- Area: the subject area specified in the CRD and which is being addressed in the template.
- Reference to CRD: the specific articles that relate to each one of the relevant areas mentioned in the Capital Requirements Directive.
- Description: a brief description of the requirements emanating from the CRD articles in question.

A fifth column has been temporarily added to provide members with illustrative examples.

Respective supervisory authorities should complete the column 'Application' with providing any comments in respect of the option applied, meaning Member States

¹⁰ <http://www.c-ebs.org/getdoc/b5596f91-8aeb-4bf4-8bb6-d5a11f9ef38c/CEBS-Guidelines-on-Supervisory-Disclosure-Framewor.aspx>

should provide an explanation of the application of the relevant Pillar 3 requirement and should comment on their decision as well as provide any qualitative and/or quantitative details regarding measures taken in this respect.

Table 2: Template on the application of CRD provisions on Pillar 3

PILLAR 3 APPLICATION AREA	Reference to CRD	Description	COUNTRY	EXAMPLE
Content of disclosures	Art. 149 (a)	Supervisor can require credit institutions to make one or more of the disclosures referred to in Annex XII, Parts 2 and 3	(Application)	Whereas local credit institutions are primarily exempt from disclosing information if this is deemed to be non-material, proprietary and/or confidential, Banking Rule, paras 1 and 2 state that "Such omissions are subject to the authority's verification that the institution's determination is valid."
Frequency and deadline for publication	Art. 149 (b)	Supervisor can require credit institutions to publish one or more disclosures more frequently than annually, and to set deadlines for publication	(Application)	No measure was taken in this respect. However, local credit institutions are required to include the additional disclosure requirements in their annual report, and local legislation stipulates that the audited financial statements shall be published not later than four months from the closing of the financial year. Therefore, it follows that to be included in the annual report together with the financial statements, the additional disclosure requirements will also need to be published within 4 months from year-end.
Media and location for disclosures	Art. 149 (c)	Supervisor can require credit institutions to use specific media and locations for disclosures other than the financial statements	(Application)	The competent authority has retained the option to require credit institutions to "use specific media and locations for disclosures other than the published Annual Report". However such media was not specified.
Means of verification	Art. 149 (d)	Supervisor can require credit institutions to use specific means of verification for the disclosures not covered by statutory audit	(Application)	No measure was taken in this respect, since the competent authority has not provided any relevant additional guidelines and/or recommendations.
Significant Subsidiaries (EEA)	Art 72 (1) and (2)	What constitutes a 'Significant Subsidiary' (criteria)	(Application)	No specific definition provided - but all subsidiaries have been deemed as significant locally.
	Art 72 (1) and (2)	Information requested from Significant Subsidiaries	(Application)	...
	Art 72 (3)	Exemption where the subsidiaries are included within 'Comparable Disclosures' provided by a parent undertaking established in a third country	(Application)	No specific definition of comparable disclosures provided - to be analyzed on a case by case basis.
Guidance / recommendations from national supervisor	-	Content of any relevant additional guidelines and/or recommendations provided by national supervisor	(Application)	The competent authority has not provided any relevant additional guidelines and/or recommendations
IRB Approach - Rating decisions on SMEs	Art 145 (4)	Implementation of national measures to make credit institutions explain their rating decisions to SMEs	(Application)	No measure was taken in this respect, since up to now, the competent authority has received no complaint regarding non compliance with this requirement.

National discretions

27. The revised template on options and national discretions includes more than 20 ***national discretions*** in Directives 2006/48/EC and 2006/49/EC, and national discretions on large exposures in the CRD2¹¹ which CEBS has identified and considers should be included in the current template. On the other hand, it has identified several national discretions which need to be excluded from the current framework since they have expired (transitional provisions) or are not actually national discretions but provisions subject to the permission of competent authorities, or cannot be included due to the nature of provision.
28. The revised template on national discretions and options also includes some amendments to sub-divide specific provisions and give the reader a more granular and clear comparative overview.
29. CEBS has made the following alterations to the current templates on options and national discretions:
- streamlining the **wording** of the columns "Denomination" and "Description" regarding the NDs to be added to the current list;
 - customising the template; and
 - adding a **drop-down menu** in each cell from which one of the possible options is to be chosen.
30. CEBS's template should only provide a general overview (A/PA/NA) and further details should be included on the national web pages.
31. In the last three columns, the entries of the MS are automatically totalled for convenience/to give a quick overview.
32. The revised template will include the following main changes:
- Deletions from the list (mainly expired transitional discretions):
 - Article 152(10)(b) CRD;
 - Article 154 Para. 2 CRD;
 - Article 154 Para. 3 CRD;
 - Annex VIII, Part 3 Point 12 CRD;
 - In the following cases specific information on national implementation is deemed necessary to increase comparability:

¹¹ It was noted that the national discretions currently included in the disclosure framework are only the ones introduced by Basel II text in Directives 2006/48/EC and 2006/49/EC.

- Annex III, Part 6 Point 7 CRD: amount of alpha (as "A" could be understood as "a higher alpha was implemented" or "the possibility to increase alpha was implemented");
 - Article 154 Para. 1 (first subpara.), 154 Para. 7 (first two sentences), Annex VII, Part 4 Point 48 CRD: number of days past due;
 - Annex III, Part 7c(ii) CRD ("separate calculation", "aggregate calculation", "choice of methods");
 - Article 80.3 and Annex VI, Part 1 Point 24 CRD ("central government method (a)", "credit assessment method (b)");
- Separate disclosure of previously grouped discretions:
 - Article 61, 63 Para. 1, 64 Para. 3;
 - Article 22 Para. 2, 24 and 25 CRD;
 - Article 154 Para. 1 CRD (PSE, corporate and retail exposures);
 - Annex VII, Part 4 Point 48 CRD (PSE and retail exposures);
- Adding discretions that were seen as out of scope in the first compilation of the list (mainly referring to large exposures and the trading book) – however, only those discretions were included in the revised list that were considered to be stable (i.e. will not be changed by the pending CRD revision):
 - Article 5 Para. 2 CAD (Holding of trading book positions in financial instruments of certain investment firms);
 - Article 29 CRD (Reporting requirements for branches of credit institutions in Host Member States);
 - Article 27 Para. 2 CAD (Consolidated own funds of institutions);
 - Article 63 Para. 2 CRD (Securities of indeterminate duration as own funds items);
 - Article 63 Para. 3 CRD (Excess value adjustments and provisions as own funds items);
 - Article 22 Para. 1 CAD (Consolidated waiver for investment firms);
 - Annex VII, Part 2 Point 14 CRD (Alternatives for the calculation of maturity);
 - Article 19 Para. 1 CRD (0% weighting of certain debt securities);
 - Annex I Point 2 CAD (Netting of convertible and offsetting positions in the underlying instrument);
 - Annex I Point 41 CAD (Special procedure for calculation of capital requirements for underwriting of debt and equity instruments);

- Annex III Point 3.2 (first subparagraph) CAD (Alternative calculation of capital requirements for positions in foreign currencies subject to a legally binding intergovernmental agreement);
 - Annex III Point 3.2 (second subparagraph) CAD (Capital requirement for matched positions in EMU-currencies);
 - Annex IV Point 21 CAD (Alternative minimum spreads for commodities risk capital requirements);
 - Article 30 Para. 4 CAD (0% or 20%-weighing of assets constituting claims/other exposures on recognised third-country investment firms and recognised clearing houses and exchanges for large exposures purposes);
 - Article 32 Para. 2 CAD (Reporting and LE limits in case of alternative determination of own funds of institutions).
- Adding of discretions on large exposures as currently endorsed by the CRD2, Articles 111(1) and 113(4). Exercise of these discretions on large exposures will only have to be populated in the revised template after the provisions of the CRD2 come into force.
 - The two-level approach will be kept unchanged. At the CEBS level only general information on the exercise of the national discretions will be displayed. Legal references and a description of national specificities (e.g. prior written approval required, applied only at consolidated level, etc) are to be found on the national websites. Further information is expected to be included there especially in those cases where discretions are only partially exercised (i.e. a "PA" is given in the respective cell of the CEBS template).

Table 3: Template on options and national discretions (revised)

Area	Dir. 2006/48 (unless indicated Dir. 2006/49/EC)	Denomination	Description	COUNTRY	PA or CBC or: aggregate calc. or: method (b) or: betw. 90/180 days	NA or: choice of methods or: 180 days
SUBJECT MATTER, SCOPE AND DEFINITIONS	Article 3	Exemptions from certain application requirements	Subject to certain conditions, Member States may exempt one or more credit institutions situated in the same Member State and which are permanently affiliated, on 15 December 1977, to a central body which supervises them from certain application requirements (programme of operations, two sufficiently experienced directors).	A	0	0
SUBJECT MATTER, SCOPE AND DEFINITIONS	Article 5.2 Dir. 2006/49/EC	Holding of trading-book positions in financial instruments of certain investment firms	Subject to certain conditions, competent authorities may allow an investment firm which executes investors' orders for financial instruments to hold such instruments for its own account.	A	0	0
SUBJECT MATTER, SCOPE AND DEFINITIONS	Article 10.1 Dir. 2006/49/EC	Exemption regarding initial capital level of investment firms founded before 1995	Member States may continue an authorisation of investment firms and firms covered by Article 6 which was in existence before 31 December 1995, the own funds of which firms or investment firms are less than that initial capital levels specified for them in Articles 5(1), 5(3), 6 and 9.	A	0	0
TAKING UP AND PURSUIT OF BUSINESS	Article 10.2	Exemption regarding initial capital level of credit institutions founded before 1993	Member States may decide that credit institutions already in existence on 1 January 1993, the own funds of which do not attain the levels specified for initial capital in Article 9, may continue to carry on their activities but have to retain their own funds above the highest level reached with effect from 22 December 1989.	A	0	0
FREEDOM OF ESTABLISHMENT AND FREEDOM TO PROVIDE SERVICES	Article 29	Reporting requirements for branches of credit institutions in Host Member States	Host Member States may, for statistical purposes, require that all credit institutions having branches within their territories shall report periodically on their activities in those host Member States to the competent authorities of those host Member States.	A	0	0

PRINCIPLES AND TECHNICAL INSTRUMENTS FOR PRUDENTIAL SUPERVISION AND DISCLOSURE	Article 50	Authorisation of disclosures between departments of administrations	Member States may authorise the disclosure of certain information to other departments of their central government administrations responsible for legislation on the supervision of credit institutions, financial institutions, investment services and insurance companies and to inspectors acting on behalf of those departments. Such disclosures may be made only where necessary for reasons of prudential control.	A	0	0
OWN FUNDS	Article 27.2 Dir. 2006/49/EC	Consolidated own funds of institutions	The competent authorities responsible for exercising supervision on a consolidated basis may recognise the validity of the specific own-funds definitions applicable to the institutions concerned under Chapter IV (Articles 12 to 17 CAD) in the calculation of their consolidated own funds.	A	0	0
OWN FUNDS	Article 57 (second last paragraph)	Inclusion of interim profits	Member States may permit the inclusion of interim profits before a formal decision has been taken on the accounts, subject to conditions.	A	0	0
OWN FUNDS	Article 58	Waiver on certain deductions	Shares in another credit institution, financial institution, insurance or reinsurance undertaking may not be deducted if held temporarily for the purposes of a financial assistance operation designed to reorganise and save the entity.	A	0	0
OWN FUNDS	Article 59	Alternatives to deductions	As an alternative to deductions of participations and capital instruments held in other financial institutions, credit institutions may be allowed to apply, with the necessary changes, any of the methodologies set out in Annex 1 to the Conglomerates Directive.	A	0	0
OWN FUNDS	Article 60	Deductions for stand-alone requirements purposes	For the purposes of the calculation of their stand alone requirements, institutions may not be required to deduct holdings and participations in institutions included in the scope of their consolidation.	A	0	0
OWN FUNDS	Articles 61, 63.1	Composition of own funds of credit institutions	The list of own funds elements in the Directive is a maximum, both in items and amounts. Member States may decide on the use of these items, include other items (given certain characteristics), fix lower ceilings and deduct other items.	A	0	0
OWN FUNDS	Article 63.2	Securities of indeterminate duration as own funds items	Securities of indeterminate duration and other instruments that fulfil certain conditions may also be accepted as other items.	A	0	0
OWN FUNDS	Article 63.3	Excess value adjustments and provisions as own funds items	For IRB credit institutions, positive amounts resulting from the deduction of the expected loss amounts from the sum of respective value adjustments and provisions may, up to 0.6% of risk weighted exposure amounts, be accepted as other items.	A	0	0
OWN FUNDS	Article 64.3	Fixed-term cumulative preferential shares and subordinated loan capital as own funds items	Member States or the competent authorities may include fixed-term cumulative preferential shares and subordinated loan capital, if certain binding agreements exist.	A	0	0

OWN FUNDS	Article 65	Qualification of credit items as consolidated reserves for the calculation of own funds	Certain items may, when they are credit ('negative') items, be regarded as consolidated reserves for the calculation of own funds.	A	0	0
OWN FUNDS	Article 66.4	Temporal breach of own funds limits	The competent authorities may authorise credit institutions to exceed the limits laid down in paragraph 1 in temporary and exceptional circumstances.	A	0	0
OWN FUNDS	Article 13.2 Dir. 2006/49/EC	Alternative form of calculation for investment firms not providing certain services and applying Article 21	Investment firms that, in view of the services they provide, are allowed to calculate their own funds as a percentage of the turnover of the previous year (Article 21), may be also authorised to apply a definition of own funds other than that prescribed by directive 2006/48/EC	A	0	0
OWN FUNDS	Article 13.5 Dir. 2006/49/EC	Flexibility in the composition of own funds for investment firms making use of the option in Article 13.2	If an institution is calculating its own funds in accordance with the alternative offered in Article 13.2 of directive 2006/49/EC, it can be allowed to substitute subordinated loans by other elements described in Article 57 of directive 2006/48/EC, mainly as Tier 2.	A	0	0
OWN FUNDS	Article 14 Dir. 2006/49/EC	Excess of subordinated capital	The Competent Authorities may allow investment firms to hold subordinated capital in excess of ordinary thresholds, up to certain limits.	A	0	0
SCOPE OF APPLICATION	Article 69.1	Individual waiver for subsidiaries	Member States may grant individual institutions which are subsidiaries within a group, subject to the fulfillment of certain conditions, an exemption from individual requirements. The same applies where the parent company is a financial holding company.	A	0	0
SCOPE OF APPLICATION	Article 69.3	Individual waiver for parent credit institutions	Member States may grant individual institutions which are the parent company within a group, subject to the fulfillment of certain conditions, an exemption from individual requirements.	A	0	0
SCOPE OF APPLICATION	Article 70	Solo consolidation	Member States may allow, on a case-by-case basis, for the purpose of the calculation of the individual requirements of the parent institution, and subject to certain conditions, the incorporation of subsidiaries whose material exposures or liabilities are all to that parent institution.	A	0	0
SCOPE OF APPLICATION	Article 72.3	Exemption from Pillar III	The Competent Authorities may decide to exempt, fully or partially, a credit institution from Pillar III requirements provided such institution is included within a group complying with comparable disclosures on a consolidated basis in a third country.	A	0	0
SCOPE OF APPLICATION	Article 73.1	Exemption from consolidation	Member States may decide that, if certain conditions are met, some subsidiaries need not be included in consolidation.	A	0	0
SCOPE OF APPLICATION	Article 22.1 Dir. 2006/49/EC	Consolidated waiver for investment firms	A group of investment firms may be exempted from consolidated capital requirements, on a case-by-case basis, provided conditions are met.	A	0	0

SCOPE OF APPLICATION	Article 22.2 Dir. 2006/49/EC	Lower limit for the consolidated waiver for parent financial holding companies	Competent authorities may permit financial holding companies which are the parent financial holding company in a Member State of an investment firm to use a lower value for the respective condition to apply the consolidated waiver in Article 22.1 CAD.	A		
SCOPE OF APPLICATION	Article 24 Dir. 2006/49/EC	Consolidated waiver for (Article 20(2)) investment firms	Competent authorities may exempt investment firms from the consolidated capital requirement established in Article 2(2), provided that all the investment firms in the group are covered by Article 20(2) and the group does not include credit institutions.	A		
SCOPE OF APPLICATION	Article 25 Dir. 2006/49/EC	Consolidated waiver for (Article 20(2) and (3)) investment firms	Competent authorities may exempt investment firms from the consolidated capital requirement established in Article 2(2), provided that all the investment firms in the group are covered by Article 20(2) and (3) and the group does not include credit institutions.	A		
COUNTERPARTY RISK IN DERIVATIVES AND OTHER EXPOSURES	Annex III, Part 3	Alternative template for the calculation of potential future value in certain cases	For institutions complying with certain requirements in their trading activities in commodities, gold and other products, Member States may allow percentages for the calculation of potential future value other than the general ones.	A	0	0
COUNTERPARTY RISK IN DERIVATIVES AND OTHER EXPOSURES	Annex III, Part 6, Point 7	Higher value of coefficient Alpha (multiplier to calculate the exposure value of certain contracts)	Member States may set a value for coefficient Alpha higher than 1.4.	1.4	--	--
COUNTERPARTY RISK IN DERIVATIVES AND OTHER EXPOSURES	Annex III, Part 6, Point 12	Internal determination of the value of coefficient Alpha (multiplier to calculate the exposure value of certain contracts)	Member States may allow institutions to calculate Alpha internally, subject to a floor of 1.2.	A	0	0
COUNTERPARTY RISK IN DERIVATIVES AND OTHER EXPOSURES	Annex III, Part 7c (ii)	Calculation (separate/aggregate) of 'net-to-gross ratio'	At the discretion of Competent Authorities, credit institutions may use either separate calculation or aggregate calculation when calculating the 'net-to-gross ratio'. If Member States permit credit institutions a choice of methods, the method chosen is to be used consistently.	separate calculation	0	0
STANDARDISED APPROACH	Article 80.3 & Annex VI, Part 1, Point 24	Risk-weighting exposures to credit institutions	Member States may choose between two alternative methods for risk-weighting exposures to credit institutions: (a) on the basis of the risk-weight of the corresponding central government and (b) on the basis of the credit assessment of the institution itself	central government method (a)	0	--
STANDARDISED APPROACH	Article 80.7	Exemption of intra-group exposures from risk-weighted exposures	If certain conditions are met, the Competent Authorities may assign a 0% risk-weight on exposures not forming part of "own funds" of a credit institution to its parent undertaking, its subsidiary, a subsidiary of its parent undertaking or an undertaking linked by a relationship within the meaning of Article 12.1 of Directive 83/349/EEC.	A	0	0

STANDARDISED APPROACH	Article 80.8	Treatment of exposures to a counter-party which is member of the same institutional protection scheme.	If certain conditions are met, the Competent Authorities may assign a 0% risk weight on exposures not forming part of "own funds" to counterparties which are members of the same institutional protection scheme as the lending institution.	A	0	0
STANDARDISED APPROACH	Article 83.2	Permission to use unsolicited ratings	In order to use unsolicited ratings, credit institutions must get permission from the Competent Authorities. To make this possible, that alternative should be incorporated to legislation (implicit discretion).	A	0	0
STANDARDISED APPROACH	Annex VI, Part 1, Point 5	Recognition of a third country's treatment of central government and central bank exposures	When a third country with supervisory/regulatory arrangements at least equivalent to those in the Community, assigns for the exposures to its own central government and central bank denominated and funded in the domestic currency a lower risk weight than the one applicable in principle, a Member State may allow the risk-weight of such exposures in the same manner.	A	0	0
STANDARDISED APPROACH	Annex VI, Part 1, Point 11	Recognition of a third country's treatment of regional governments and local authorities	When a third country with supervisory/regulatory arrangements at least equivalent to those in the Community treats exposures to regional government and local authorities as exposures to its central government, a Member State may allow the risk-weight of such exposures in the same manner.	A	0	0
STANDARDISED APPROACH	Annex VI, Part 1, Point 14	Treatment of public sector entities as institutions	Exposures to public sector entities may be treated as exposures to credit institutions, without applying the preferential weights applicable to short term exposures to institutions.	A	0	0
STANDARDISED APPROACH	Annex VI, Part 1, Point 15	Treatment of exposures to public sector entities guaranteed by central governments	The Competent Authorities may, in exceptional cases, treat exposures to public sector entities as exposures to the central government in whose jurisdiction they are established where, in their opinion, there is no difference in the risk between such exposures because of the existence of an appropriate guarantee from the central government.	A	0	0
STANDARDISED APPROACH	Annex VI, Part 1, Point 17	Recognition of a third country's treatment of public sector entities	When a third country with supervisory/regulatory arrangements at least equivalent to those applied in the Community treats exposures to its public sector entities as exposures to institutions, a Member State may allow the risk-weight of exposures to such public sector entities in the same manner.	A	0	0
STANDARDISED APPROACH	Annex VI, Part 1, Point 37	Treatment of short term exposures to EU institutions in their national currency	A Competent Authority may allow short term exposures to Member States' institutions denominated and funded in the national currency a risk weight that is one category less favourable than the preferential risk weight applicable on exposures to EU central governments.	A	0	0

STANDARDISED APPROACH	Annex VI, Part 1, Point 40	Treatment of exposures in the form of minimum reserves held by an intermediary credit institution.	Provided that certain conditions are met, a Member State may permit exposures in the form of minimum reserves required by the ECB or by the central bank of a Member State to be held by a credit institution, in accordance with the relevant ECB regulation on the application of minimum reserves, to be risk weighted as exposures to the central bank of the Member State concerned	A	0	0
STANDARDISED APPROACH	Annex VI, Part 1, Point 49	Treatment of exposures secured by mortgages on residential property-conditional waiver of a criterion	Competent authorities may dispense with the condition contained in point 48(b) for exposures fully and completely secured by mortgages on residential property which is situated within their territory, if they have evidence that a well-developed and long-established residential real estate market is present in their territory with loss rates which are sufficiently low to justify such treatment	A	0	0
STANDARDISED APPROACH	Annex VI, Part 1, Point 51	Risk-weighting exposures secured by mortgages on commercial real estate	Subject to the discretion of the competent authorities, exposures or any part of an exposure fully and completely secured, to the satisfaction of the competent authorities, by mortgages on offices or other commercial premises situated within their territory may be assigned a risk weight of 50%	A	0	0
STANDARDISED APPROACH	Annex VI, Part 1, Point 52	Risk-weighting exposures secured by shares in Finnish housing companies	Subject to the discretion of the competent authorities, exposures fully and completely secured, to the satisfaction of the competent authorities, by shares in Finnish housing companies, operating in accordance with the Finnish Housing Company Act of 1991 or subsequent equivalent legislation, in respect of offices or other commercial premises may be assigned a risk weight of 50%	A	0	0
STANDARDISED APPROACH	Annex VI, Part 1, Point 53	Risk-weighting eligible property leasing transactions	Subject to the discretion of the competent authorities, exposures related to property leasing transactions concerning offices or other commercial premises situated in their territories under which the credit institution is the lessor and the tenant has an option to purchase may be assigned a risk weight of 50% provided that the exposure of the credit institution is fully and completely secured to the satisfaction of the competent authorities by its ownership of the property	A	0	0
STANDARDISED APPROACH	Annex VI, Part 1, Point 58	Treatment of exposures secured by mortgages on commercial real estate - conditional waiver of a criterion	Competent authorities may dispense with the condition contained in point 54(b) for exposures fully and completely secured by mortgages on commercial property which is situated within their territory, if they have evidence that a well-developed and long-established commercial real estate market is present in their territory with loss-rates which do not exceed certain limits.	A	0	0
STANDARDISED APPROACH	Annex VI, Part 1, Point 63	Risk-weighting past due exposures secured by non eligible collateral	A risk weight of 100% may be assigned on past due exposures which are fully secured by non eligible collateral when value adjustments reach 15% of the exposure gross of the value adjustments, if strict operational criteria exist to ensure the good quality of the collateral.	A	0	0
STANDARDISED APPROACH	Annex VI, Part 1, Point 64	Risk-weighting of past due exposures secured by mortgages on residential property	The applicable risk weight on past due exposures secured by mortgages on residential property net of value adjustments may be reduced to 50%, if value adjustments are no less than 20% of the exposure amount gross of the value adjustments.	A	0	0
STANDARDISED APPROACH	Annex VI, Part 1, Point 66	Risk-weighting items belonging to	The Competent Authorities have the discretion to assign a risk weight of 150% on exposures associated with particularly high risks.	A	0	0

		regulatory high risk categories				
STANDARDISED APPROACH	Annex VI, Part 1, Point 67	Regulatory high risk categories - lower risk weight due to value adjustments	Competent Authorities may permit that the risk weight on non past due exposures receiving a 150% risk weight be reduced to (a) 100% if value adjustments exist which are no less than 20% of the gross exposure and (b) 50% if value adjustments are no less than 50% of the gross exposure.	A	0	0
STANDARDISED APPROACH	Annex VI, Part 1, Point 68(e)	Loans secured by commercial real estate as collateral for covered bonds	The Competent Authorities may recognise loans secured by commercial real estate as eligible collateral for covered bonds where the required loan to value ratio of 60% is exceeded up to a maximum level of 70%, if certain defined criteria and conditions are met.	A	0	0
STANDARDISED APPROACH	Annex VI, Part 1, Point 85	Risk-weighting institutions specialising in the inter-bank and public debt market	Member States may allow a risk weight of 10% for exposures to institutions specialising in the interbank and public debt markets in their home member states, if such institutions are subject to close supervision and the exposures are adequately secured.	A	0	0
STANDARDISED APPROACH	Annex VI, Part 3, Point 17	Exceptions to the non-use of domestic currency ratings for foreign-currency exposures	The Competent Authorities may allow the domestic currency rating of an obligor to be used for its foreign currency exposures provided such exposures arise from institutions' participation in a loan extended by a Multilateral Development Bank.	A	0	0
IRB	Article 84.2 (second subparagraph)	Requirements for IRB standards for parent and EU subsidiaries altogether	When IRB approach is used by an EU parent or financial holding company and its subsidiaries, Member States may allow the minimum requirements to qualify for IRB to be met by parent and subsidiaries considered together.	A	0	0
IRB	Annex VII, Part 1, Point 6 (second subparagraph)	Lower rate for specialized lending	The Competent Authorities may authorise a credit institution to generally assign a 50% risk weight to SL-Category 1 and 70% to SL-Category 2 (regardless of maturity) if certain conditions are met.	A	0	0
IRB	Annex VII, Part 1, Point 13 (last sentence)	Special treatment for revolving retail exposures secured by a link to a wage account	The requirement that retail revolving exposures be unsecured (Annex VII, Part 1, Para. 13 b)) may be waived by the Competent Authorities in respect of collateralised credit facilities linked to a wage account.	A	0	0
IRB	Annex VII, Part 1, Point 18	Treatment of ancillary banking services	Competent authorities may allow the attribution of risk weighted exposure amounts for equity exposures to ancillary services undertakings according to the treatment of other non credit-obligation assets.	A	0	0
IRB	Annex VII, Part 2, Points 5 and 7 & Annex VIII, Part 1, Point 26	Possibility to extend the list of unfunded protection providers for the purposes of recognition of unfunded credit protection in PD	For the purposes of the recognition of unfunded credit protection in PD by institutions, the Competent Authorities may extend the list of unfunded credit protection providers further than those included in Annex VIII, Part 1, Para. 26.	A	0	0

IRB	Annex VII, Part 2, Point 12	Alternatives for the calculation of maturity	The Competent Authorities may require all institutions in their jurisdiction to use maturity (M) for each exposure in accordance with formulae instead of using values by default (0.5 years for repos and 2.5 for other exposures).	A	0	0
IRB	Annex VII, Part 2, Point 14	Alternatives for the calculation of maturity	Competent authorities may specify certain short-term exposures which are not part of the credit institution's ongoing financing of the obligor for which M shall be at least one-day.	A	0	0
IRB	Annex VII, Part 2, Point 15	Maturity for EU-firms (< EUR 500 million)	The Competent Authorities may allow maturity of exposures to European corporates with consolidated assets of less than EUR 500 million to be set at values by default, even if they apply the formulae option.	A	0	0
IRB	Annex VII, Part 2, Point 15 (last sentence)	Maturity for EU-firms investing primarily in real estate (< EUR 1,000 million)	The Competent Authorities may allow maturity of exposures to European corporates that invest primarily in real estate with consolidated assets of less than EUR 1,000 million to be set at values by default, even if they apply the formulae option.	A	0	0
IRB	Annex VII, Part 2, Point 20 & Annex VIII, Part 1, Point 26	Possibility to extend the list of unfunded protection providers for the purposes of calculation of dilution risk	For the purposes of the calculation of dilution risk, the Competent Authorities may extend the list of unfunded credit protection providers further than those included in Annex VIII, Part 1, Para. 26.	A	0	0
IRB	Annex VII, Part 4, Point 44 (last sentence)	Definition of threshold for the exposure past due	In all cases, the exposure past due shall be above the threshold defined by the competent authorities and which reflects a reasonable level of risk.	2.5% / EUR 250 [A credit obligation is considered material when, on the basis of the total items due and the credit facility/limit, the customer's total past due instalments including unpaid charges and interest as well as overruns of overdraft limits are greater than 2.5% of the	---	---

				total of all overdraft limits advised to the customer (adjusted for exchange rate fluctuations) and exceed an amount of EUR 250]		
IRB	Annex VII, Part 4, Point 48 (first and second sentence)	Definition of default for retail and PSE	For retail and PSE exposures, the competent authorities of each Member State shall set the exact number of days past due that all credit institutions in its jurisdiction shall abide by under the definition of defaults set out in §44, for exposures to such counterparts situated within this Member State. The specific number shall fall within 90-180 days and may differ across product lines.	90	0	0
IRB	Annex VII, Part 4, Point 56	Flexibility in data collection	The Competent Authorities may apply less stringency as regards the data needed for estimation and collected before the implementation of the directive, provided the credit institution makes appropriate adjustments.	A	0	0
CREDIT RISK MITIGATION	Annex VIII, Part 1, Point 15	Recognition of shares in Finnish housing companies as eligible collateral	The Competent Authorities may authorise their credit institutions to recognise as eligible collateral shares in Finnish housing companies that are operating in accordance with the Finnish Housing Company Act of 1991 provided that certain conditions are met.	A	0	0
CREDIT RISK MITIGATION	Annex VIII, Part 1, Point 16 (first sentence)	Residential real estate property waiver	The competent authorities may waive the requirement for their credit institutions to comply with condition (b) in point 13 for exposures secured by residential real estate property situated within the territory of that Member State if the competent authority have evidence that that the relevant market is well-developed and long-established with loss-rates which are sufficiently low to justify such action.	A	0	0
CREDIT RISK MITIGATION	Annex VIII, Part 1, Point 17	Commercial real estate property waiver	The competent authorities of the Member States may waive the requirement for their credit institutions to comply with the condition in point 13(b) for commercial real estate property situated within the territory of that Member State, if the competent authorities have evidence that the relevant market is well-developed and long-established and that loss-rates stemming from lending secured by commercial real estate property satisfy certain conditions.	A	0	0

CREDIT RISK MITIGATION	Annex VIII, Part 1, Point 20	Amounts receivable as eligible collateral	The Competent Authorities may recognise as eligible collateral amounts receivable linked to a commercial transaction or transactions with an original maturity of less than or equal to one year. Eligible receivables do not include those associated with securitisations, sub-participations or credit derivatives or amounts owed by affiliated parties.	A	0	0
CREDIT RISK MITIGATION	Annex VIII, Part 1, Point 21	Other physical collateral	The Competent Authorities may recognise as eligible collateral physical items of a type other than real estate collateral, if satisfied as to the following: (a) liquid markets for disposal of the collateral do exist in an expeditious and economically efficient manner; and (b) well-established, publicly available market prices for the collateral do exist. The institution must be able to demonstrate that there is no evidence that the net prices it receives when collateral is realised deviates significantly from these market prices.	A	0	0
CREDIT RISK MITIGATION	Annex VIII, Part 1, Point 28	Eligible protection providers	The Competent Authorities may recognise as eligible collateral physical items of a type other than real estate collateral, if satisfied as to certain conditions.	A	0	0
CREDIT RISK MITIGATION	Annex VIII, Part 2, Point 9a (ii)	Minimum requirements for the recognition of receivables as collateral	Credit institutions must take all steps necessary to fulfil local requirements in respect of the enforceability of security interest. There shall be a framework which allows the lender to have a first priority claim over the collateral subject to national discretion to allow such claims to be subject to the claims of preferential creditors provided for in legislative or implementing provisions.	A	0	0
CREDIT RISK MITIGATION	Annex VIII, Part 3, Point 12	Permission of internal models approach for calculation of fully adjusted exposure value (E*)	The Competent Authorities may permit credit institutions meeting certain requirements to use an internal models approach taking into account correlations to calculate the adjusted exposure value for exposures resulting from the application of a master netting agreement.	--	0	0
CREDIT RISK MITIGATION	Annex VIII, Part 3, Point 19	Permission to use empirical correlations within and across risk categories	The Competent Authorities may allow credit institutions to use empirical correlations within risk categories and across risk categories if they are satisfied that the credit institution's system for measuring correlations is sound and implemented with integrity.	A	0	0
CREDIT RISK MITIGATION	Annex VIII, Part 3, Point 43	Own estimates of volatility adjustments (categories of security)	When debt securities have a credit assessment from a recognised ECAI equivalent to investment grade or better, the Competent Authorities may allow credit institutions to calculate a volatility estimate for each category of security.	A	0	0
CREDIT RISK MITIGATION/TRANSITIONAL PROVISIONS	Annex VIII, Part 3, Point 72	Reduced LGDs for leasing transactions	Until 31 December 2012, the Competent Authorities may, subject to the indicated levels of collateralisation, allow credit institutions to assign lower levels of LGD for senior exposures in the form of Commercial Real Estate leasing and of equipment leasing and of equipment leasing.	A	0	0

CREDIT RISK MITIGATION	Annex VIII, Part 3, Point 73	Alternative treatment for real estate collateral (50% risk-weight)	Subject to the requirements of this point and point 74 and as an alternative to the treatment in points 68 to 72, the competent authorities of a Member State may authorise credit institutions to assign a 50 % risk weight to the Part of the exposure fully collateralised by residential real estate property or commercial real estate property situated within the territory of the Member State if they have evidence that the relevant markets are well-developed and long-established with loss-rates from lending collateralised by residential real estate property or commercial real estate property respectively that do not exceed certain limits.	A	0	0
CREDIT RISK MITIGATION	Annex VIII, Part 3, Point 89	Sovereign guarantees	The Competent Authorities may apply reduced risk weights to exposures or portions of exposures guaranteed by the central government or central bank, where the guarantee is denominated in the domestic currency of the borrower and the exposure is funded in that currency.	A	0	0
SECURITISATION	Article 152(10)(b)	Discretion to disapply the securitisation framework	For banks that do not move to standardised approach in 2007, the treatment of securitisation may be disapplied by competent authorities.	A	0	0
SECURITISATION	Annex IX, Part 4, Point 30	Treatment of certain retail exposures subject to early amortisation provision	Competent Authorities may apply a treatment analogue the lines of paras. 26 to 28 in the case of securities subject to an early amortisation provision of certain retail exposures (uncommitted, unconditionally cancellable without prior notice, early amortisation is triggered by a quantitative value in respect of something other than the three months average excess spread) for determining the conversion figure.	A	0	0
SECURITISATION	Annex IX, Part 4, Point 53 (last sentence)	Application of the simplified Supervisory Formula Method	The Competent Authorities may permit credit institutions to apply for securitisations involving retail exposures the Supervisory Formula Method using simplifications for certain risk parameters.	A	0	0
OPERATIONAL RISK	Article 102.4 & Annex X, Part 4, Points 1 and 2	Combination of approaches	The Competent Authorities may allow institutions to use a combination of approaches.	A	0	0
OPERATIONAL RISK	Article 104.3	Alternative Standardised Approach	The Competent Authorities may under certain conditions authorise institutions to use a alternative indicator to calculate its operational risk capital requirements.	A	0	0
OPERATIONAL RISK	Article 105.4	Qualifying criteria for AMA within the same group	The Competent Authorities may allow the qualifying criteria set out to be met by the parent and its subsidiaries considered together.	A	0	0
OPERATIONAL RISK	Annex X, Part 2, Points 3 and 5	Alternative Standardised Approach	The Competent Authorities may authorise institution to calculate its operational risk capital requirement using an alternative standardised approach.	A	0	0
OPERATIONAL RISK	Article 20.2 Dir. 2006/49/EC	Minimum level of own funds	The Competent Authorities may allow investment firms with limited licence to provide own funds which are always more than or equal to the higher of the capital requirement for credit and market risk or 25% of the preceding years fixed overheads.	A	0	0

OPERATIONAL RISK	Article 20.3 Dir. 2006/49/EC	Minimum level of own funds	The Competent Authorities may allow investments firms which hold 730 000 EUR in initial capital, but which fall within certain categories, to provide own funds which are always more than or equal to the higher of the capital requirement for credit and market risk or 25% of the preceding years fixed overheads.	A	0	0
QUALIFYING HOLDINGS OUTSIDE THE FINANCIAL SECTOR	Article 122.1	Special treatment for insurance undertakings	Member States may exempt insurance sector undertakings from the general limits established for qualifying holdings.	A	0	0
QUALIFYING HOLDINGS OUTSIDE THE FINANCIAL SECTOR	Article 122.2	Alternative - deduction	Member States may decide not to apply limits on qualifying holdings, provided excess is deducted from own funds.	A	0	0
TRANSITIONAL PROVISIONS	Article 153, Para. 1 (first sentence)	Transitional treatment for certain property leasing transactions	The Competent Authorities may, until December 31, 2012, allow leasing exposures on offices or commercial premises in their territory and subject to certain conditions, to be rated 50%.	A	0	0
TRANSITIONAL PROVISIONS	Article 153, Para. 2 (second sentence)	Transitional definition of the secured portion of a loan	The Competent Authorities may, until December 31, 2010, allow, for the purpose of defining the secured portion of a loan, recognise eligible collateral other than the one meeting the requirements.	A	0	0
TRANSITIONAL PROVISIONS	Article 154.1 (first subparagraph)	Transitional use of a different definition of past due	Until December 31, 2011, the Competent Authorities may set the number of days past due up to 180 days if local conditions make it appropriate (for the purposes of application of the standardised approach). The specific number may differ across product lines.	A	0	0
TRANSITIONAL PROVISIONS	Article 154.2	Transitionally shorter test of use	Institutions applying for the use of IRB before 2010 may benefit from a test of use shorter than 3 years but above 1, until December 31, 2009.	A	0	0
TRANSITIONAL PROVISIONS	Article 154.3	Transitionally shorter requirement of use for LGD/conversion factors estimates	For those institutions applying for the use of their own LGD/conversion factors estimates, the three-year period of experience in use required by Article 84.4 may be reduced to two until December 31, 2008.	A	0	0
TRANSITIONAL PROVISIONS	Article 154.4	Transitional treatment for certain types of participations	The Competent Authorities may, until December 31, 2012, allow credit institutions to continue to apply Basel I treatment to certain types of participations.	A	0	0
TRANSITIONAL PROVISIONS	Article 154.6	Transitional exemption for certain equity exposures	The Competent Authorities may, until December 31, 2017, exempt from IRB certain equity exposures held on December 31, 2007.	A	0	0
TRANSITIONAL PROVISIONS	Article 154.7 (first two sentences)	Transitional default definition for corporate exposures	Until 31 December 2011, for corporate exposures, the competent authorities of each Member State may set the number of days past due that all credit institutions in its jurisdiction shall abide by under the definition of 'default' set out in Annex VII, Part 4, point 44 for exposures to such counterparts situated within this Member State. The specific number shall fall within 90 up to a figure of 180 days if local conditions make it appropriate	90	0	0
TRANSITIONAL PROVISIONS	Article 155	Transitional calculations: standardised approach -	Until December 31, 2012, the "trading and sales" business line may be applied a 15% factor, if it represents at least 50% of the total relevant indicators.	A	0	0

		operational risk (credit institutions)				
TRANSITIONAL PROVISIONS	Annex VII, Part 2, Point 8 (second subparagraph)	Transitional LGD for covered bonds	Until December 31, 2010, covered bonds may be assigned an LGD of 11.5%	A	0	0
TRANSITIONAL PROVISIONS	Annex VII, Part 4, Points 66, 71, 86 and 95	Transitional reduction of minimum length of observation periods	Member States may transitionally allow a reduction of the minimum length of the observation periods required for own estimations of PD, LGD and CCF, subject to an absolute minimum of 2 years.	A	0	0
TRANSITIONAL PROVISIONS	Article 44 Dir. 2006/49/EC	Transitional calculations: standardised approach - operational risk (investment firms)	Until December 31, 2012, the "trading and sales" business line may be applied a 15% factor, if it represents at least 50% of the total relevant indicators.	A	0	0
TRANSITIONAL PROVISIONS	Article 46 Dir. 2006/49/EC	Alternative transitional operational risk requirement	Until December 31, 2011, the Competent Authorities may choose not to apply requirements for operational risk as set out in Article 75(d) of directive 2006/48/EC to low size investment firms. An alternative treatment applies instead.	A	0	0
TRANSITIONAL PROVISIONS	Article 47 Dir. 2006/49/EC	Transitional applicability of recognized specific risk models	Until December 31, 2009, or any other date specified by the Competent Authorities on a case-by-case basis, it may be provided that for institutions that have received specific risk model recognition prior to January 1, 2007, previous requirements (as in the old directive) apply.	A	0	0
TRADING BOOK	Article 18.2 and 3 Dir. 2006/49/EC	Application of the banking book rules to trading book, if not material	The Competent Authorities may allow institutions to apply banking book rules to their trading book exposures, provided the trading book activities does not exceed certain limits.	A	0	0
TRADING BOOK	Article 19.1 Dir. 2006/49/EC	0% weighting of certain debt securities	For the calculation of capital requirements against specific risk, a 0 % weighting may, subject to the discretion of the national authorities, be assigned to debt securities issued by certain entities, where these debt securities are denominated and funded in domestic currency.	A	0	0
TRADING BOOK	Article 19.2 Dir. 2006/49/EC	Specific risk requirement for covered bonds	Member States may set a reduced specific risk requirement for covered bonds, with reductions similar to those applied in the banking book under the standardised approach.	A	0	0
TRADING BOOK	Article 19.3 Dir. 2006/49/EC and Annex I, point 52	Third country CIU	A Competent Authority of one member state may make use of the approval of another one without conducting its own assessment.	A	0	0
TRADING BOOK	Article 26 Dir. 2006/49/EC	Offsetting trading positions	For the purposes of calculation of consolidated capital requirements, the Competent Authorities may authorise the offsetting of trading (trading book, commodities, etc.) positions even when they are booked in different institutions within the group, subject to certain conditions.	A	0	0

TRADING BOOK	Article 33.3 Dir. 2006/49/EC	Alternative requirements for valuation in absence of readily available market prices	The Competent Authorities, in the absence of readily available market prices, may choose not to apply daily mark to market and, instead, require institutions to apply alternative methods subject to their approval.	A	0	0
TRADING BOOK	Annex I, Point 2 Dir. 2006/49/EC	Netting of convertible and offsetting positions in the instrument underlying it	No netting shall be allowed between a convertible and an offsetting position in the instrument underlying it, unless the competent authorities adopt an approach under which the likelihood of a particular convertible's being converted is taken into account or have a capital requirement to cover any loss which conversion might entail.	A	0	0
TRADING BOOK	Annex I, Point 4 (second subparagraph, first sentence) Dir. 2006/49/EC	Capital requirement for an exchange-traded future	Subject to certain conditions, the Competent Authorities may allow that the capital requirement for an exchange-traded future contract be equal to the margin required by the exchange.	A	0	0
TRADING BOOK	Annex I, Point 4 (second subparagraph, second sentence) Dir. 2006/49/EC	Capital requirement for OTC derivative cleared by a clearing house	Subject to certain conditions, the Competent Authorities may allow that the capital requirement for an OTC derivative cleared by a clearing house to be equal to the margin required by the clearing house.	A	0	0
TRADING BOOK	Annex I, Point 5 (second subparagraph) Dir. 2006/49/EC	Prescription of specific methodologies for the calculation of delta	The Competent Authorities may prescribe that delta be calculated following methodologies specified by them.	A	0	0
TRADING BOOK	Annex I, Point 5 (third subparagraph) Dir. 2006/49/EC	Capital requirement for exchange-traded written options and OTC options cleared by a clearing house	Subject to certain conditions, the Competent Authorities may allow that the capital requirement for an exchange-traded written option, or an OTC option cleared by a clearing house to be equal to the margins required by the exchange or the clearing house, respectively.	A	0	0
TRADING BOOK	Annex I, Point 5 (third subparagraph) Dir. 2006/49/EC	Capital requirement for exchange-traded bought options and OTC bought options cleared by a clearing house	Subject to certain conditions, the Competent Authorities may allow that the capital requirement for an exchange-traded bought option, or an OTC bought option cleared by a clearing house to be equal to the requirement for the underlying instrument.	A	0	0
TRADING BOOK	Annex I, Point 14 Dir. 2006/49/EC	Specific risk charge for a non-qualifying issuer	The Competent Authorities may require that instruments issued by non-qualifying issuers are applied a specific risk capital charge higher than 8% or 12% and/or disallow offsetting for the purposes of general market risk between such instruments and any other instrument.	A	0	0
TRADING BOOK	Annex I, Point 26 Dir. 2006/49/EC	Use of duration instead of the standard system for calculation of the general risk of traded debt positions	The Competent Authorities may, either in general or on an individual basis, allow institutions to use a system for calculating the general risk for traded debt instruments which reflects duration instead of the system set out in the directive.	A	0	0

TRADING BOOK	Annex I, Point 35 (first sentence) Dir. 2006/49/EC	Reduced specific risk requirement for certain equity portfolios	The Competent Authorities may allow certain equity portfolios to be assigned a specific risk requirement of 2% instead of 4%.	A	0	0
TRADING BOOK	Annex I, Point 35 (last sentence) Dir. 2006/49/EC	Alternative maximum weight of an individual position in an institution's equity portfolio	The Competent Authorities may authorise that individual positions represent a maximum of 10% of the total equity portfolio (instead of 5% as in the Directive), provided that the sum of such positions do not exceed 50%.	A	0	0
TRADING BOOK	Annex I, Point 41 Dir. 2006/49/EC	Special procedure for calculation of capital requirements for underwriting of debt and equity instruments	In the case of the underwriting of debt and equity instruments, the competent authorities may allow an institution to use the procedure given in Para. 41 of Annex I in calculating its capital requirements.	A	0	0
TRADING BOOK	Annex III, Point 2.1 (last sentence) Dir. 2006/49/EC	Discretionary use of net present value for determining the open position in currencies or gold	The Competent Authorities have the discretion to allow institutions to use net present value when determining their open positions in currencies or gold.	A	0	0
TRADING BOOK	Annex III, Point 3.1 Dir. 2006/49/EC	Lower capital requirements for closely correlated currencies	The Competent Authorities may allow institutions to provide lower capital requirements for positions in closely correlated currencies, as defined in the Directive.	A	0	0
TRADING BOOK	Annex III, Point 3.2 (first subparagraph) Dir. 2006/49/EC	Alternative calculation of capital requirements for positions in foreign currencies subject to a legally binding intergovernmental agreement	The competent authorities may allow institutions a certain alternative calculation of capital requirements for positions in any currency which is subject to a legally binding intergovernmental agreement to limit its variation relative to other currencies covered by the same agreement.	A	0	0
TRADING BOOK	Annex III, Point 3.2 (second subparagraph) Dir. 2006/49/EC	Capital requirement for matched positions in EMU-currencies	Competent authorities may allow the capital requirement on the matched positions in currencies of Member States participating in the second stage of the economic and monetary union to be 1,6 %, multiplied by the value of such matched positions.	A	0	0
TRADING BOOK	Annex IV, Point 7 Dir. 2006/49/EC	Definition of 'positions in the same commodity'	The Competent Authorities may regard, in some cases, different but closely linked commodities as the same, for the purposes of calculating the position in a commodity.	A	0	0
TRADING BOOK	Annex IV, Point 8 Dir. 2006/49/EC	Capital requirement for exchange-traded commodities OTC commodity derivatives cleared by a clearing house	Subject to certain conditions, the Competent Authorities may allow that the capital requirement for an exchange-traded commodity, or an OTC commodity derivative cleared by a clearing house to be equal to the margins required by the exchange or the clearing house, respectively.	A	0	0
TRADING BOOK	Annex IV, Point 10 (first subparagraph) Dir. 2006/49/EC	Prescription of specific methodologies for the calculation of	The Competent Authorities may prescribe that delta for commodity derivatives be calculated following methodologies specified by them.	A	0	0

		delta for derivatives on commodities				
TRADING BOOK	Annex IV, Point 10 (three last subparagraphs) Dir. 2006/49/EC	Capital requirement for exchange-traded options and OTC options cleared by a clearing house	Subject to certain conditions, the Competent Authorities may allow that the capital requirement for an exchange-traded written option, or an OTC option cleared by a clearing house to be equal to the margins required by the exchange or the clearing house, respectively. Also OTC bought options may be assigned the same requirement as the underlying commodity.	A	0	0
TRADING BOOK	Annex IV, Point 14 Dir. 2006/49/EC	Offsetting positions in the same commodity	The Competent Authorities may allow positions in the same commodity - or in commodities regarded as the same - to be offset prior to assignment to the appropriate maturity band.	A	0	0
TRADING BOOK	Annex IV, Point 21 Dir. 2006/49/EC	Alternative minimum spreads for commodities risk capital requirements	Competent authorities may authorise institutions to use alternative minimum spread, carry and outright rates provided that the institution fulfils certain prerequisites.	A	0	0
TRADING BOOK	Annex V, Point 4 (second subparagraph, fourth sentence) Dir. 2006/49/EC	Requirement to perform back-testing	Competent authorities may require institutions to perform back-testing on either hypothetical (using changes in portfolio value that would occur were end-of-day positions to remain unchanged), or actual trading (excluding fees, commissions, and net interest income) outcomes, or both.	A	0	0
LARGE EXPOSURES	Article 30.4 Dir. 2006/49/EC	0% or 20%-weighing of assets constituting claims/other exposures on recognised third-country investment firms and recognised clearing houses and exchanges for large exposures purposes	Competent authorities may allow assets constituting claims and other exposures on recognised third-country investment firms and recognised clearing houses and exchanges to be treated like comparable claims on institutions (0% or 20% weighing).	A	0	0
LARGE EXPOSURES	Article 31 Dir. 2006/49/EC	Authorisation of temporary breach of large exposures limits	The competent authorities may authorise the limits laid down in Articles 111 to 117 of Directive 2006/48/EC to be exceeded if certain conditions are met.	A	0	0
LARGE EXPOSURES	Article 32.2 Dir. 2006/49/EC	Reporting and LE limits in case of alternative determination of own funds of institutions	Subject to certain conditions, competent authorities may permit institutions which are allowed to use the alternative determination of own funds under Article 13(2) to use that determination for the purposes of reporting and compliance with or temporal breach of limits.	A	0	0

Colleges

33. Given the current relevance of this area and its regulatory and supervisory developments, CEBS has identified that the SD framework could be extended to the functioning of colleges.
34. Having in mind the need to keep appropriate confidentiality of supervisory work, CEBS identified that the following information would be disclosed:
- number of colleges the supervisory authority is member of;
 - its role in the college (consolidating or host supervisor);
 - existence of a core college; and
 - the number of cooperation agreements in place.

CRM

35. In the area of Credit Risk Mitigation (CRM) CEBS has identified areas where further information could be useful for the industry. The disclosure of this information goes beyond the disclosure of options, national discretions and mutual recognition information which is already available on the CEBS's and national web-pages.
36. A spreadsheet has been developed for the disclosure of this additional information. It refers to the respective part of the CRD and gives a short description of the identified area. It also indicates what kind of information should be disclosed in relation to these provisions. The exact information to be disclosed is specified in the various cells.
37. CEBS has also drafted guidance to complement the CEBS Guidelines on Supervisory Disclosure¹².

Draft guidance on the completion of the Template for Credit Risk Mitigation

General information:

The template has four columns. The first three columns are predetermined.

In the last column Member States shall provide the following information:

Annex VI, part 1, number 48 (d) CRD

According to the CRD exposures secured by mortgages on residential property are completely secured to the satisfaction of the competent authorities if, inter alia, the value of the property exceeds the exposure by a 'substantial margin'. Member States should disclose how this condition is transposed into their national legislation.

Annex VIII, part 1, number 7 (f) CRD

Member States should disclose which criteria have to be fulfilled for classification as a 'main index'. The publication of a list of 'main indices' is desirable.

Annex VIII, part 1, number 8 (a) CRD

Debt securities issued by institutions which do not have a credit assessment by an eligible ECAI may be recognised as eligible collateral if they are listed on a recognised exchange as defined in Article 4(47) of the CRD. Member States should disclose which exchanges are recognised according to their national legislation.

Annex VIII, part 3, number 58 (e) CRD

In relation to repurchase transactions and securities lending or borrowing transactions, where a credit institution uses the Supervisory Volatility Adjustments Approach or the Own Estimates Approach, and where certain conditions are satisfied,

¹² <http://www.c-ebs.org/getdoc/b5596f91-8aeb-4bf4-8bb6-d5a11f9ef38c/CEBS-Guidelines-on-Supervisory-Disclosure-Framewor.aspx>

credit institutions may apply a volatility adjustment of 0%. Member States should disclose the criteria they have established regarding classification as a 'proven' settlement system.

Annex VIII, part 3, number 58 (f) CRD

In relation to repurchase transactions and securities lending or borrowing transactions, where a credit institution uses the Supervisory Volatility Adjustments Approach or the Own Estimates Approach, and where certain conditions are satisfied, credit institutions may apply a volatility adjustment of 0%. Member States should disclose what kind of documentation is considered to be 'standard market documentation'.

Annex VIII, part 3, number 58 (h) CRD

In relation to repurchase transactions and securities lending or borrowing transactions, where a credit institution uses the Supervisory Volatility Adjustments Approach or the Own Estimates Approach, and where certain conditions are satisfied, credit institutions may apply a volatility adjustment of 0%. Member States should disclose the criteria they have established for counterparties that are regulated collective investment undertakings that are subject to capital or leverage requirements, regulated pension funds and recognised clearing organisations to be included as a 'core market participant'. The publication of a list of 'core market participants' is desirable.

Annex VIII, part 3, number 62 CRD

In those Member States that have laid down rigorous criteria for the assessment of the mortgage lending value in statutory or regulatory provisions the property may be valued at or less than the mortgage lending value. Member States should disclose if and how the assessment of the mortgage lending value is regulated in their national legislation.

Table 4: Template on CRM

CRM INFORMATION			COUNTRY
Reference in CRD	Denomination	Description	Disclosure of definition, interpretation/additional information
Annex VI, Part 1, number 48(d)	Exposures secured by mortgages on residential property	Exposures or any part of an exposure fully and completely secured, to the satisfaction of the competent authorities (...) (...) competent authorities shall be satisfied only if the following conditions are met: (d) the value of the property exceeds the exposures by a substantial margin .	(When is an exposure declared to be completely secured? How do the competent authorities define 'substantial margin'?)
Annex VIII, Part 1, number 7(f)	Eligibility of collateral	The following financial items may be recognised as eligible collateral under all approaches and methods: (f) equities or convertible bonds that are included in a main index	(How do competent authorities define 'main index'? Publication of a list of 'main indexes'.)
Annex VIII, Part 1, number 8(a)	Eligibility of collateral	Debt securities issued by institutions (...) may be recognised as eligible collateral if they fulfil the following criteria: (a) they are listed on a recognised exchange	(How do competent authorities define 'recognised exchange'? Publication of a list of 'recognised exchanges'.)
Annex VIII, Part 3, number 58(e)	Conditions for applying a 0% volatility adjustment	The transaction is settled across a settlement system proven for that type of transaction.	(How do competent authorities define a 'proven settlement system'?)
Annex VIII, Part 3, number 58(f)	Conditions for applying a 0% volatility adjustment	The documentation covering the agreement is standard market documentation for repurchase transactions or securities lending or borrowing transactions in the securities concerned.	(What kind of documentation do competent authorities accept as standard market documentation?)
Annex VIII, Part 3, number 58(h)	Conditions for applying a 0% volatility adjustment	The counterparty is considered a ' core market participant ' by the competent authorities. (...)	(Publication of a list of regulated collective investment undertakings that are subject to capital or leverage requirements, regulated pension funds and recognised clearing organisations that are considered 'core market participants' by the competent authorities.)
Annex VIII, Part 3, number 62	Real estate collateral	(...) In those Member States that have laid down rigorous criteria for the assessment of the mortgage lending value in statutory or regulatory provisions (...)	(National legislation for the assessment of the mortgage lending value.)

Securitization

38. The financial crisis demonstrated the significant position taken by securitisation within the financial markets. Following the principles adopted by the G20, the European Institutions launched a work programme in response to the financial crisis notably in the securitisation area in order to improve the framework for securitisation practices. New provisions have been adopted by the European Parliament and the Council to amend the CRD. Due diligence and transparency obligations imposed on the originators of securitisation operations and on investors are strengthened in order to remedy the faults of the “originate to distribute” model.
39. In the current Supervisory Disclosure framework, there is information on securitisation in the ‘rules and guidance’ part which includes the respective national transpositions and the ‘specific treatment of securitisation’ and in the ‘options and national discretions’ part. Although there is already one row for securitisation positions in the ‘pillar 1 credit risk data’ template, CEBS considers that an improvement could be made by adding complementary information to the Credit risk data template for Pillar 1 where information on securitisation positions is currently disclosed - exposure % of risk weighted assets. The ‘pillar 1 credit risk data’ template has been redrafted with an additional table providing information taken from COREP on originators detailed in two rows:
- Total amount of securitisation exposures originated – on and off balance sheet;
 - Total amount of securitisation positions retained (securitisation positions – original exposure pre-conversion factors) – on and off balance sheet.
40. With respect to the recent changes to the CRD, CEBS decided to include in the extension of the Supervisory Disclosure framework paragraph 9 of article 122a of the amended CRD where it is stated that the competent authorities have to disclose the general criteria and methodologies adopted to review compliance with paragraphs 1 to 7 of article 122a. The ongoing guidelines elaborated by the CEBS for the convergence of supervisory practices with regard to article 122a will be also relevant to this new template.
41. These templates on securitisation will be implemented in time which will be in line with the CRD requirements.
42. This additional information is in line with Supervisory Disclosure guidelines and does not raise any confidentiality issue for Member States. The revised Credit risk data template for Pillar 1 template (see Table 4) presents the new items highlighted in green in the credit risk data template for pillar 1. In order to help to complete the template, a column indicates the mapping with the COREP EU cells.
43. Considering the information provided in the COREP templates on securitisation (CR SEC SA and CR SEC IRB), only the items which report on originators seems in line with the provision of the paragraph 24 of the guidelines where it is specified that ‘The disclosure of aggregate statistical data under Article 144(1)

(d) is intended to provide general information on the national banking sectors ...". A more detailed template could be somewhat disproportionate with the current statistical disclosure. This is the reason why the breakdown between traditional and synthetic securitisation is excluded as well as the information on investors and sponsor which relates more to pillar III than to supervisory disclosure (see annex XII of the CRD point 14). In addition this latter information is available on a non-aggregate basis on the credit rating agencies websites.

44. With respect to the abovementioned recent changes of the CRD, CEBS decided to include in the extension of the Supervisory Disclosure framework the paragraph 9 of the article 122a of the amended CRD where it is mentioned that the competent authorities have to disclose the general criteria and methodologies adopted to review the compliance with paragraphs 1 to 7 of the article 122a. The ongoing guidelines elaborated by the CEBS for the convergence of supervisory practices with regard to the article 122a will be also disclosed in this new template.
45. The new template (see table 4a) shall be included in the Rules and guidance section which shows the implementation of CRD provisions. The draft template will comprise an executive summary written by each national authority which will give an overview on the general criteria and methodologies adopted to review the compliance with paragraphs 1 to 7 of the article 122a of the amended CRD as adopted by the Council and European Parliament¹³. The Member States will be invited to respect the structure in 7 paragraphs in order to facilitate the comparison between countries. CEBS has also drafted guidance to complement the CEBS Guidelines on Supervisory Disclosure¹⁴.

¹³ <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P6-TA-2009-0367+0+DOC+XML+V0//EN#top>

¹⁴ <http://www.c-eps.org/getdoc/b5596f91-8aeb-4bf4-8bb6-d5a11f9ef38c/CEBS-Guidelines-on-Supervisory-Disclosure-Framewor.aspx>

Draft Guidance on completion of the Templates on Securitisation

The CEBS guidelines on Supervisory Disclosure do not need to be changed to include the extension on securitisation beyond the additions to Annex II as follows:

Annex II

[...]

37 a. Originator

as defined by Article 4 (41) of the CRD 'means either of the following:

(a) an entity which, either itself or through related entities, directly or indirectly, was involved in the original agreement which created the obligations or potential obligations of the debtor or potential debtor giving rise to the exposure being securitised; or

(b) an entity which purchases a third party's exposures onto its balance sheet and then securitises them; [...]

[...] The template provides information on the general criteria and methodologies adopted to review compliance with paragraphs 1 to 7 of Article 122a of section 7 (see ECOFIN 279 EF 54 CODEC 541/ 17 April 2009).

The template comprises a first column with the relevant text of Article 122a and a second column for the ongoing guidelines elaborated by CEBS for the convergence of supervisory practices with regard to Article 122a.

In the other columns, an executive summary written by each national authority will give an overview on the general criteria and methodologies adopted to review compliance with paragraphs 1 to 7 of Article 122a. The Member States are invited to respect the structure of 7 paragraphs in order to facilitate comparison between countries. [...]

Table 5: Revised template on Pillar 1 Credit Risk Data including Securitisation

Pillar 1 Credit Risk Data			COREP EU	COUNTRY
Credit institutions: Own funds requirement	Own funds requirements credit risk % of Total Own Funds requirements			
Credit institutions: distribution by approach	% number ** (1)	SA		
		FIRB		
		AIRB		
	Own funds requirements % of Own Funds requirements on credit risk	SA		
		FIRB		
		AIRB		
Credit institutions: distribution by IRB exposure class *	Exposure % of risk weighted assets (EFP)	Central Government (A) & Central banks		
		Institutions (B)		
		Corporate (C)		
		Retail (D)		
		Equity		
		Securitization positions	(CR SEC IRB row 1 col 36 + CR SEC SA row 1 col 30) / CA 2,1, *(12,5) ***	
		Other non credit-obligation assets		
		Other items		
Credit institutions: distribution by SA exposure class *	Exposure % of risk weighted assets	Central Governments or Central banks		

		Regional Governments or local authorities		
		Administrative bodies and non-commercial undertakings		
		Multilateral Development Banks		
		International Organisations		
		Institutions		
		Corporates		
		Retail		
		Secured by real estate property		
		Past due items		
		Items belonging to regulatory high-risk categories		
		covered bonds		
		Securitization positions	(CR SEC SA row 1 col 30) / CA 2,1, *(12,5)	
		short-term claims on institutions and corporate		
		Collective investment undertakings (CIU)		
Other items				
Credit institutions: distribution by Credit Risk Mitigation approach	% number **	Financial collateral simple method		
		Financial collateral comprehensive method		
Investment firms: Own funds requirement	Own funds requirements credit risk % of Total Own Funds requirements			

Investment firms: distribution by approach	Own funds requirements % of Own Funds requirements on credit risk	SA		
		IRB		
<p>*) For the mapping of the asset classes, we refer to the definition list</p> <p>**) If an institution uses more than one approach, it will be counted accordingly</p> <p>***) [CR SEC SA row 1 col 30] = 0, if SA is reported row 29</p> <div data-bbox="98 427 517 635" style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>Index:</p> <p>N/A: not available</p> <p>C: confidential</p> <p>N/M: non material</p> </div>				
Pillar 1 Credit Risk Data : Additional information on securitization			COREP EU from CR SEC IRB and CR SEC SA (securitization type: TOTAL)	COUNTRY
Credit institutions - Originator	Total amount of securitized exposures originated - on balance and off balance	(CR SEC IRB row 2 col 1) + CR SEC SA (row 2 col 1)		
	Total amount of securitization positions retained (Securitization positions - original exposure pre conversion factors) - on balance and off balance	(CR SEC IRB rows 2 col 5) + (CR SEC SA row 2 col 5)		

Table 6: Rules and guidance template on Securitisation, Article 122a CRD

RULES AND GUIDANCE/SECURITIZATION		COUNTRY
	CEBS	General criteria and methodologies
Article 122a (1)	Guidelines	
Article 122a (2)	Guidelines	
Article 122a (3)	Guidelines	
Article 122a (4)	Guidelines	
Article 122a (5)	Guidelines	
Article 122a (6)	Guidelines	
Article 122a (7)	Guidelines	

Mergers and acquisitions

46. The draft template on mergers and acquisitions provides information on the procedural rules and evaluation criteria for the prudential assessment of acquisitions and increases of holdings in the financial sector, as specified in Article 19-A of Directive 2006/48/EC of 14 June 2006, as amended by Directive 2007/44/EC of 5 September 2007.
47. The draft template provides a comparison of the provisions of Directive 2007/44/EC, implemented in all the Member States, including national texts of laws (L), regulations (R), and administrative rules (A). Additionally, it will provide granular information on the level of implementation by each Member State of the 3L3 "Guidelines for the prudential assessment of acquisitions and increases in holdings in the financial sector required by Directive 2007/44/EC". Following the guidelines, each assessment criterion is divided in more specific topics. In each topic there is a list of more detailed conditions that provide a more granular insight into the level of implementation. Every condition is given a letter/number in order to facilitate the completion of the template by Member States. As part of this template, information will also be provided on the location of the lists of information which shall be provided by the "proposed acquirer" to the competent authority and which shall follow the information as listed and explained in the 3L3 guidelines.
48. CEBS has drafted guidance to complement the CEBS Guidelines on Supervisory Disclosure¹⁵.

Draft guidance on the completion of the template on Mergers and Acquisitions

Purpose of disclosure

The purpose for the introduction of the following template is to give a general overview of the procedural rules and evaluation criteria for the prudential assessment of acquisitions and increases of holdings in the financial sector, as specified in Article 19-A of the Directive 2006/48/EC of 14 June 2006, as amended by Directive 2007/44/EC of 5 September 2007. The 3L3 "Guidelines for the prudential assessment of acquisitions and increases in holdings in the financial sector required by Directive 2007/44/EC" introduce identical assessment criteria in all three financial sectors and try to reach a common understanding on the five assessment criteria laid down by the Directive as a prerequisite for convergent supervisory practices.

¹⁵ <http://www.c-eps.org/getdoc/b5596f91-8aeb-4bf4-8bb6-d5a11f9ef38c/CEBS-Guidelines-on-Supervisory-Disclosure-Framewor.aspx>

The ultimate aim of the template is to identify the level of implementation by each Member State of these Guidelines within its national legislation and, ultimately, try to facilitate harmonization and promote convergence within the new common legal framework for the prudential assessment of acquisitions.

The template provides the following information:

A. The 3L3 Guidelines require **a list of information** for the assessment of an acquisition (Appendix II) that the Member States should make publicly available, regarding general information (on the acquirer, on the acquisition, on the financing of the acquisition) and information requirements linked to the level of the shareholding to be acquired (change in control/qualifying shareholding). Member States should insert a hyperlink to the national website where this list is available.

B. The template provides **information on the level of implementation** of the evaluation criteria for the prudential assessment of acquisitions and increases of holdings according to the 3L3 Guidelines. The following cells of the template should be **completed using the Annex to the Guidance**. More specifically:

- following the guidelines, each one of the five assessment criteria is divided in more specific topics;
- for each topic there is a list of more detailed conditions that provide a more granular insight of the level of implementation; and
- every condition is given a letter/number in order to facilitate the completion of the template by Member States.

In cases where a Member State has completely implemented the 3L3 Guidelines then all of the letters/numbers should appear in the respective cells for every topic. The presentation of the disclosed information in this way facilitates a quick and meaningful comparison of information between Member States.

Annex to the Draft Guidance on the completion of the template on Mergers and Acquisitions

ART. 19-A (1) a) – INTEGRITY

To indicate, according to the national legislation, what situations are subject to integrity assessment:

- A** The absence of 'negative records';
- B** Conviction of a relevant criminal offence;
- C** Criminal offences currently being tried or having being tried in the past;
- D** Current or past investigations and/or enforcement actions or administrative sanctions related to the acquirer for non compliance with provisions governing banking, financial, securities or insurance activity;
- E** Current or past investigations and/or enforcement actions or administrative sanctions by any other regulatory or professional bodies for non-compliance with any relevant provisions;
- F** Correctness in past business dealings:
 - F.a** With supervisory or regulatory authorities;
 - F.b** Refusal of a registration, authorization, membership, or license to carry out a trade, business, or profession; or revocation, withdrawal, or termination of such registration, authorization, membership, or license; or expulsion by a regulatory or government body;
 - F.c** Dismissal from employment or a position of trust, fiduciary relationship, or similar situation, or having been asked to resign from employment in such a position;
 - F.d** Disqualification from acting as a person who directs the business.

To indicate, according to the national legislation, the way the integrity assessment is performed:

- I.** On a case by case basis;
- II.** Consideration of the relevance of criminal records differently according to the type of conviction, the level of appeal, the type of punishment, the length of the sentence, the phase of the judicial process reached and the effect of rehabilitation;
- III.** The information requirements may vary according to the nature of the acquirer (natural vs. legal person, regulated or supervised entity vs. unregulated entity);
- IV.** The acquirer should attest in a statement that none of the situations described in points 24 to 26 of the Guidelines is occurring or has occurred in the past to the best of its knowledge. A delayed, incomplete, or undelivered declaration will call into question the approval of the acquisition;
- V.** The supervisory authority should be able to verify the statement submitted by the proposed acquirer by asking it to provide documents evidencing that the statement is true and, if needed, by requesting confirmation from other authorities, domestic or foreign;
- VI.** In the case of an increase in an existing qualifying holding, and to the extent that the integrity of the acquirer has previously been assessed by the supervisor, the relevant information should be updated as appropriate.

- VII.** If the shareholder is a company or an institution, the integrity requirements must be satisfied by the legal person as well as by all of the persons who effectively direct the business;
 - VIII.** When assessing the integrity of the acquirer, the supervisory authority may take into consideration any person linked to the acquirer;
 - IX.** The integrity requirements should be applied regardless of the level of the qualifying shareholding that a proposed acquirer intends to acquire, and of its involvement in the management or the influence that it is planning to exercise on the target institution.
-

Art. 19-A (1) a) - PROFESSIONAL COMPETENCE

To indicate if the analysis of the professional competence takes into account:

- A.** The management competence (competence in management);
- B.** The technical competence (in the area of the financial activities carried out by the target institution);
- C.** If the acquirer is a legal person, the assessment should cover both the company itself and the persons who effectively direct the business.

To indicate, according to the national legislation, the way the professional competence assessment is performed:

- I.** In the case of an increase in an existing qualifying holding, and to the extent that the professional competence of the acquirer has been assessed previously by the supervisor:
 - la.** the relevant information should be updated as appropriate;
 - lb.** the updated assessment should take into account the increased influence and responsibility associated with the increased holding.
 - II.** The assessment should take into account the influence that the acquirer will exercise over the target institution;
 - III.** The professional competence requirements for natural or legal persons who acquire significant holdings in financial companies with the aim of diversifying their portfolio and/or obtaining dividends or capital gains (rather than with the aim of becoming involved in the management of the financial institution concerned) could be significantly reduced;
 - IV.** When the acquisition of control or of a shareholding allows the acquirer to exercise a strong influence:
 - IVa.** the need for technical competence will be greater;
 - IVb.** the degree of technical competence needed will depend on the nature and complexity of the activities envisaged.
-

ART. 19-A (1) a) - PRACTICALITIES OF THE COOPERATION PROCESS

To indicate, if applicable according to the national legislation:

Integrity requirements:

- A.** If the acquirer is supervised by the same competent supervisor, or by another competent supervisor in the same country or in another Member State, the integrity requirements should generally be presumed to have been met if:
- A.a** The acquirer is a natural or legal person already considered to be 'of good repute' in its capacity as a significant shareholder of another financial institution which is supervised by the same competent supervisor or by another competent supervisor in the same country or in another Member State;
 - A.b** The acquirer is a natural person who already directs the business of the same or another financial institution which is supervised by the same competent supervisor or by another competent supervisor in the same country or in another Member State;
 - A.c** The acquirer is a legal person regulated and supervised as a financial institution by the same competent supervisor or by another competent supervisor in the same country or in another Member State
- B.** If the acquirer is supervised by a competent supervisor in a third country, the assessment of integrity may be based on an assessment of the substantial equivalence of the regulation concerning integrity requirements in a third country and the assessment may be facilitated by cooperating with the competent supervisory authority in the third country, if:
- B.a** The acquirer is a natural or legal person already considered to be 'of good repute' in his capacity as a significant shareholder of another financial institution which is supervised by a competent supervisor in the third country;
 - B.b** The acquirer is a natural person who already directs the business of the same or another financial institution which is supervised by a competent supervisor in the third country;
 - B.c** The acquirer is a legal person regulated and supervised as a financial institution by a competent supervisor in the third country.
-

Professional competence requirements:

- I.** If the acquirer is supervised by the same competent supervisor, or by another competent supervisor in the same country or in another Member State, the professional competence requirement should generally be presumed to have been met:
- la.** if the acquirer is a natural or a legal person already considered to be 'of good repute' in his capacity as a significant shareholder of another financial institution supervised by the same competent supervisor or supervised by another competent supervisor in the same country or in another Member State;
 - lb.** if the acquirer is a natural person who already directs the business of the same or another financial institution supervised by the same competent supervisor or by another competent supervisor in the same country or in another Member State;
 - lc.** If the acquirer is a legal person regulated and supervised as a financial institution by the same competent supervisor or by another competent supervisor in the same country or in another Member State.
- II.** If the acquirer is supervised by a competent supervisor in a third country, the assessment of professional competence may be based on an assessment of the

substantial equivalence of the regulation concerning professional competence requirements in the third country, and the assessment may be facilitated by cooperating with the competent supervisory authority in the third country, if:

Ila. the acquirer is a natural or legal person already considered to be 'of good repute' in his capacity as significant shareholder of another financial institution supervised by a competent supervisor in a third country;

Ilb. the acquirer is a natural person who already directs the business of the same or another financial institution supervised by a competent supervisor in a third country;

Ilc. The acquirer is a legal person regulated and supervised as a financial institution by a competent supervisor in a third country.

ART. 19-A (1) b) - POWER OF OPPOSITION

To indicate (as a Y/N response) if, in a situation where the acquirer intends to appoint a person who is not fit and proper, then the target supervisor should oppose the proposed acquisition.

ART. 19-A (1) c) - SCOPE OF ANALYSIS

To indicate, according to the national legislation, what considerations are subject to financial soundness assessment:

- A.** Whether the financial soundness of the proposed acquirer is strong enough to ensure the sound and prudent management of the target financial institution for the foreseeable future (usually three years) in accordance with the principle of proportionality (nature of the acquirer, nature of the acquisition);
- B.** Whether the acquirer is likely to face financial difficulties during the acquisition process or in the foreseeable future;
- C.** Whether the financial mechanisms put in place by the proposed acquirer to finance the acquisition, or existing financial relationships between the acquirer and the target financial institution, could give rise to conflicts of interest that could destabilize the financial structure of the target financial institution.

To indicate, according to the national legislation, the way the financial soundness assessment is performed:

- I.** The depth of the assessment of the financial soundness of the acquirer should be linked with and proportionate to the nature of the acquirer and the nature of the acquisition;
- II.** A distinction should be made between situations where the acquisition leads to a change in the control of the target financial institution from situations where it does not;
- III.** The assessment of the financial soundness of the acquirer should take into consideration the involvement of the proposed acquirer in the management of the target financial institution;

IV. The characteristics of the proposed acquirer may justify differences in the depth and methods of the analysis by the competent supervisor;

V. The information required for the assessment of the financial soundness of the proposed acquirer will depend on the legal status of the proposed acquirer, e.g., whether it is a financial institution subject to prudential supervision, a legal entity other than a financial institution or a natural person;

VI. If the proposed acquirer is a financial institution subject to prudential supervision by another (EEA or equivalent) competent supervisor, the target supervisor should take into account the assessment of the proposed acquirer's financial situation by the acquirer supervisor, together with the documents gathered and transmitted directly by the acquirer supervisor to the target supervisor;

ART. 19-A (1) c) - PRACTICALITIES OF THE COOPERATION PROCESS

To indicate, if applicable according to the national legislation:

- A.** If the acquirer is a supervised entity in another Member State, the assessment of its financial soundness will rely heavily on the assessment made by the acquirer supervisor, which has all the information on the profitability, liquidity, and solvency of the acquirer, as well as on the availability of the resources for the acquisition;
 - B.** If the acquirer is a financial entity supervised by a competent supervisor in a third country considered 'equivalent', the assessment may be facilitated by cooperation with that competent supervisor.
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ART. 19-A (1) d) - SCOPE OF ANALYSIS

To indicate, according to the national legislation, what situations are subject to compliance with the prudential requirements assessment:

- A.** The objective facts, such as the intended share in the institution (proportionality principle), the reputation of the acquirer, its financial soundness, and its group structure;
- B.** The acquirer's declared intentions towards the target institution expressed in its strategy (business plan);
- C.** The ability of the target financial institution to comply at the time of the acquisition, and to continue to comply after the acquisition, with all prudential requirements, including capital requirements, liquidity requirements, large exposures limits, requirements related to governance arrangements, internal control, risk management, compliance, etc.;
- D.** If the target institution is/will be part of a group, the structure of the group should make it possible to exercise effective supervision, effectively exchange information with the competent authorities, and determine the allocation of responsibilities among the competent authorities;
- E.** The acquirer's capacity to support adequate organization of the target institution within its new group. Both the target financial institution and the group should have clear and transparent corporate governance arrangements and adequate organization, including an effective internal control system and independent control functions;

- F.** The group of which the target institution will become a part of should be adequately capitalised and its own funds should be distributed appropriately within the group according to the level of risk in each part;
- G.** Whether the acquirer will be able to provide the target institution with the financial support it may need for the type of business pursued by and/or envisaged for it; to provide any new capital that the target financial institution may require for future growth in its activities; or to implement any other appropriate solution to accommodate the target financial institution's needs for additional own funds.

To indicate, according to the national legislation, additional requirements for the compliance with the prudential requirements assessment:

- I.** The business plan provided by the acquirer to the target supervisor should cover at least 3 years;
- II.** In cases of qualifying holding of less than 20 %, information requirements are downscaled;
- III.** The business plan should clarify the plans of the acquirer concerning the future activities and organization of the target institution. This should include a description of its proposed group structure;
- IV.** The plan should also evaluate the financial consequences of the proposed acquisition and include a medium-term forecast.

Art. 19-A (1) e) - SCOPE OF ANALYSIS

To indicate, according to the national legislation, what situations are subject to money laundering or terrorist financing (ML/TF) assessment:

- A.** If the proposed acquirer is suspected or known to be involved in money laundering operations or attempts and whether or not this is linked directly or indirectly to the proposed acquisition;
- B.** If the proposed acquirer is 'listed' as being a terrorist, or if he is suspected or known to finance terrorism;
- C.** If the context of the acquisition would increase the risk of ML/TF, even when there are no criminal records, or where there are no reasonable grounds to doubt the integrity of the proposed acquirer

To indicate, according to the national texts, the way the compliance with the ML/TF assessment is performed:

- I.** In addition to information about the acquirer gathered during the assessment process, competent authority should collect information from (for example) court decisions, public prosecutor's files, FATF-GAFI country assessments or typology reports, etc.;
- II.** The competent authority should also collect information regarding the origin of the funds that will be used to acquire the proposed holding;
- III.** The ML/TF assessment should be carried out regardless of the value and other characteristics of the proposed acquisition

ART. 19-A (1) e) - PRACTICALITIES OF THE COOPERATION PROCESS

To indicate, if applicable according to the national legislation:

- A.** Missing information or information regarded as incomplete, insufficient, or liable to give rise to suspicion should trigger increased supervisory diligence and requests for further information by the acquirer supervisor;
 - B.** The funds used for the acquisition must be channeled through chains of financial institutions all of which are subject to supervision by competent authorities in the EEA or in third countries considered to be equivalent;
 - C.** Information on the history of the business activities of the acquirer and on the financing scheme should be consistent with the value of the deal;
 - D.** The funds must have an uninterrupted paper trail back to their origins, or other information that allows the supervisory authorities to resolve all doubts as to their legal origin.
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ART. 19-A (4) – SCOPE

To indicate, according to the national legislation, if:

- A.** The information required shall be proportionate and adapted to the nature of the proposed acquirer and the proposed acquisition;
- B.** The information required is distinguished between two cases: when the acquisition will result in a change in control over the financial institution, and when acquirer will not gain control over the target financial institution but will acquire a qualifying holding;
- C.** In case of a change in control, the proposed acquirer shall provide a business plan to the target supervisor;
- D.** When the acquirer will not gain control over the target financial institution but will acquire a qualifying holding, the information required is proportionate to the presumed degree of involvement of the acquirer in the management of the target financial institution;
- E.** In all cases, the proposed acquirer should attest to the target supervisor that all of the information communicated by him is accurate, and is not false, misleading, or deceptive;
 - E1.** The target supervisor can verify the statement submitted by the proposed acquirer by asking it to provide documents evidencing that the statement is true and, if needed, by requesting confirmation from other authorities, domestic or otherwise.
- F.** The list with the information requirements must be provided by the persons (whether direct or indirect proposed acquirers) subject to notification requirements.

Table 7: Template on Mergers and Acquisitions

Assessment criteria according to the 3L3 Guidelines	Provisions within Dir.2006/48/EC	COUNTRY			EXAMPLE		
		List of information required for the assessment of the acquisition (Hyperlink to the national website where the list is published)			List of information required for the assessment of the acquisition (www.country.com/listofinformation)		
		Integrity	Professional Competence	Practicalities of the Cooperation Process	Integrity	Professional Competence	Practicalities of the Cooperation Process
I. Reputation of the proposed acquirer	Art. 19a(1)(a)				A / C / E / F [a. b.] I / IV / VI to IX	A to C I [a. b.] / III / IV [a.]	A [a. b.] / B [b. c.] I [a. to c.] / II [a.]
II. Reputation and experience of any person who will direct the business of the financial institution as a result of the proposed acquisition	Art. 19a(1)(b)	Y/N			Y		
III. Financial soundness of the proposed acquirer	Art. 19a(1)(c)	Scope of analysis	Practicalities of the Cooperation Process		Scope of analysis	Practicalities of the Cooperation Process	
IV. Compliance with the prudential requirements	Art. 19a(1)(d)	Scope of analysis			Scope of analysis		
V. Suspicion of money laundering or terrorist financing	Art. 19a(1)(e)	Scope of analysis	Practicalities of the Cooperation Process		Scope of analysis	Practicalities of the Cooperation Process	
VI. List of information required for the assessment of the acquisition	Art. 19a(4)	Scope			Scope		

Table 8: Rules and guidance template on Mergers and Acquisitions

Table: Prudential assessment of acquisitions and increases in holdings in the financial sector				
-	<u>Provisions within Dir.2006/48/EC</u>	COUNTRY		
-	-	National texts	References	English
I. Reputation of the proposed acquirer	Art. 19-A (1) a)	Law Administrative text	Articles	Y/N
II. Reputation and experience of any person who will direct the business of the financial institution as a result of the proposed acquisition	Art. 19-A (1) b)			
III. Financial soundness of the proposed acquirer	Art. 19-A (1) c)			
IV. Compliance with the prudential requirements	Art. 19-A (1) d)			
V. Suspicion of money laundering or terrorist financing	Art. 19-A (1) e)			
VI. List of information required for the assessment of the acquisition	Art. 19-A (4)			
L: means texts of laws				
R: means texts of regulations				
A: means administrative rules				
CI means applicable to credit institutions				
IF means applicable to investment firms				
I means applicable to both				