

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

Overall Approach to the assessment

1. The present questionnaire has the purpose of assessing the equivalence of the third-country supervisory and regulatory framework with respect to provisions contained in primary EU legislative texts, as well as some EU regulations that complements them (see last section for a complete list of references).
2. The assessment aims at understanding whether the equivalent prudential standards in terms of supervision and regulation apply in a given third country. Ultimately, the goal is to assess the degree of implementation in the third country's regulatory and supervisory framework of standards achieving similar outcomes as the EU framework in terms of ensuring:
 - a. **Effective and adequate protection of investors** and consumers of financial services;
 - b. The **stability and integrity** of the domestic financial system;
 - c. **Cooperation** between different actors of the financial system, including regulators and supervisors;
 - d. **Independent and effective supervision**;
 - e. Proper implementation and **enforcement of relevant internationally agreed standards** as transposed in the EU legislation.
3. The approach is mostly outcome-based, and considers the major features of the relevant supervisory and regulatory framework. Third-country provisions are considered with respect to the materiality of any deviations from the EU framework, and the way in which such deviations are eventually addressed.
4. The equivalence assessment is based on the supervisory and regulatory regimes actually in existence at the end of the assessment. Future regulation can be taken into account only if it is in advance stage of development.

5. The equivalence assessment is based on regulation that is clearly enforceable rather than 'soft law' or quasi-legal instruments which do not have any legally binding force.
6. The equivalence assessment is primarily based on the existence of the relevant supervisory and regulatory framework as documented in domestic laws and regulations and explained by local authorities.

Structure of the questionnaire

7. The purpose of this questionnaire is to facilitate the collection of information and guide the analysis of third country jurisdictions' provisions with respect to prudential supervision and regulatory requirements specified in EU laws.
8. The questions included in the Questionnaire are divided into 16 thematic sections:
 - 1) Overview of the banking sector
 - 2) Supervisory Framework
 - 3) Own Funds
 - 4) Reporting requirements and valuation
 - 5) Credit Risk – Standardized Approach
 - 6) Credit Risk – IRB Approach
 - 7) Credit Risk Mitigation
 - 8) Securitisation and Credit Risk Transfer
 - 9) Operational Risk
 - 10) Market Risk and Counterparty Credit Risk
 - 11) Liquidity
 - 12) Macro-Prudential framework
 - 13) Capital buffers
 - 14) Large Exposures Framework
 - 15) Leverage Ratio
 - 16) Market discipline and disclosure
9. Except for Section 1 (Overview of the banking sector), the questions in each section of the questionnaire are accompanied with relevant legislative references to appropriate EU law, and in most cases, also with a brief explanation of the EU framework (General Principles), which should help facilitate and guide the interpretation of EU law. It should be noted, however, that such brief explanations do not contain assessment criteria and the third-country provisions are not assessed against the explanations, examples and definitions that they contain.
10. Since the main legislative texts of European banking law are a *de facto* transposition of the Basel II and Basel III framework in EU, besides the relevant articles of the relevant EU legislation, several questions in the questionnaire also quote the corresponding paragraph of the relevant Basel II and/or Basel III framework, for ease of reference.

Guidance for the compilation of the questionnaire

11. Since the assessment is covering the national regulations in place, the addressed national supervisory authority should communicate with other relevant authorities within its jurisdiction and potentially involve them in the self-assessment, in order to provide a consistent review of the national regulatory framework.
12. The third country should submit all information in English; however should that not be the case, the translations need to be provided. References to domestic regulations and specific regulatory texts that implement the requirements equivalent to the EU provisions should be as detailed as possible and always indicated. Links or copies of such legal or regulatory texts should be provided (preferably in English).
13. While the questionnaire is very granular, this should help the compilation in maintaining the answer as focused as possible on the relevant topic.
14. In sections 3-16 (i.e. the ones covering the regulatory framework), it is kindly requested that – for every answer - the specific references in the national laws are always included, to substantiate the answer and to facilitate analysis and comparisons.
15. In line with the principles recalled above, only relevant legislation in place at the time of the assessment and clearly enforceable should be considered and provided in support of the answers.
16. Additional sheets and associated documents can be appended to the questionnaire to help provide further explanation and background information to the assessment team.

Relevant EU regulation for the purpose of the Equivalence assessment

17. The aim of the equivalence assessment process is to assess whether third countries apply regulatory and supervisory arrangements that are equivalent to the EU regulatory and supervisory framework applied in the relevant areas. The building blocks are given by a regulation (Capital Requirements Regulation – CRR)¹ and a directive (Capital Requirements Directive, CRD)²:

- The CRR contains the detailed prudential requirements for credit institutions and investment firms in terms of capital requirements, risk definition and measurement for credit, market and operational risk, liquidity and leverage;

1. Capital Requirements Regulation (CRR; Regulation (EU) No 575/2013) <http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1426611327950&uri=CELEX:32013R0575>

2. Capital Requirements Directive (CRD; 2013/36/EU) <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013L0036>

- The CRD deals with the procedures and processes from the supervisory side to ensure effective monitoring of risk governance and practices and envisages specific requirements on corporate governance arrangements and rules aimed at increasing the effectiveness of risk oversight.

18. Here below the main legislative texts of the EU banking legislations are listed, each with the relevant link to the pdf document. When reference to these texts is made in the questions, they (and the respective links) will always be clearly indicated at the beginning of each section, for your convenience and ease of use:

1. Capital Requirements Regulation (CRR; Regulation (EU) No 575/2013) <http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1426611327950&uri=CELEX:32013R0575>
2. Capital Requirements Directive (CRD; 2013/36/EU) <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013L0036>
3. Delegated Regulation (EU) 2015/62 amending Regulation (EU) No 575/2013 with regard to the leverage ratio (<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015R0062&from=EN>)
4. Delegated Regulation (EU) 2015/61 to supplement Regulation (EU) No 575/2013 with regard to liquidity coverage requirement for Credit Institutions (<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015R0061&from=EN>)
5. Regulation (EU) 2017/2402 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation (<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R2402&from=EN>)
6. Regulation (EU) 2017/2401 amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms: (<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R2401&from=EN>)

Definitions

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

- **“credit institution”** means an undertaking the business of which is to take deposits or other repayable funds from the public and grant credits for its own account;
- **“investment firm”** means a legal person whose regular occupation or business is the provision of one or more investment services to third parties and/or the performance of one or more investment activities on a professional basis;
- **“institution”** means a credit institution or investment firm;
- **“Member State”** means a country that belongs to the European Union;
- **“competent authority”** means a public authority or body officially recognised by national law, which is empowered by national law to supervise institutions as part of the supervisory system in operation in the Member State concerned;
- **“prudential regulation”** mean a set of rules concerning:
 - i. access to the activity of credit institutions and investment firms (i.e. conditions for their authorisation);
 - ii. supervisory powers and tools for the prudential supervision of institutions by competent authorities;
 - iii. the prudential supervision of institutions by competent authorities;
 - iv. publication requirements for competent authorities in the field of prudential regulation and supervision of institutions;
 - v. requirements imposed on institutions

1. Overview of the Banking Sector

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

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

1.1 Structure of the banking system

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

1.2 Performance and trends of the banking system

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

- a. Household debt (in absolute value and vs. income)
 - b. Corporate debt in absolute value and vs. total assets
2. Can you please provide a self-assessment of the recent performance of the banking system in your country?
3. Can you please provide, as much as they are available, data on the following metrics (last 5 years):

I. CAPITAL ADEQUACY

- a. CET1 ratio %
- b. TOTAL CAPITAL RATIO %
- c. LEVERAGE RATIO %
- d. RWA Composition breakdown (Credit Risk, Market Risk, Operational Risk)

II. LIQUIDITY

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

III. PROFITABILITY

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

IV. ASSET QUALITY

- a. Non-Performing Loans (NPLs) ratio, % (if available, please provide figures by sector)
- b. Coverage Ratio, %

2. Supervisory Framework

Note to the respondents: some of the questions in this sections are similar in scope to some of the questions already included in the pre-screening questionnaire. To this extent, it is expected that in this second step a higher degree of detail is provided in the answer.

2.1 General Questions

EXPLANATION	<p><i>The CRD and CRR set out prudential requirements applicable for:</i></p> <ul style="list-style-type: none"> - <i>Credit institutions: undertakings of which the business is to take deposits or other repayable funds from the public and grant credits for their own account, and</i> - <i>Investment firms: legal persons whose regular occupation or business is the provision of one or more investment services to third parties and/or the performance of one or more investment activities on a professional basis.</i> <p><i>In line with the terminology adopted in the CRD/CRR, the word “institutions” is meant to include credit institutions and investment firms. However, not all investment firms are subject to the CRR capital requirements (please see the definition in p.2 of Art 4(1) of the CRR, which excludes firms that are not permitted to hold client money or securities belonging to their clients and local firms).</i></p> <p><i>As for supervisory authorities, the EU framework applicable to institutions requires Member States to designate supervisory authorities in order to carry out all supervisory functions provided for in the EU law.</i></p>
1	<p>Please explain which authorities are responsible for prudential regulation and supervision in your jurisdiction and briefly describe their respective responsibilities (to this extent, it would be helpful if you can provide an organigram of the prudential and regulatory authority).</p>
Answer	

2.2 Applicability of laws

EXPLANATION	<p><i>One of the key features of the CRD is the empowerment of competent authorities with specific tasks and duties, with legal enforceability. In particular, Member States must guarantee that competent authorities have the expertise, the resources, the operational capacity, powers and independence to carry out their duties relating to prudential supervision.</i></p>
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2	Please describe the legal framework in your jurisdiction for conducting banking activities (providing a list of relevant laws and regulations, with the respective issuance date)
Answer	
3	Are the laws and regulations supplemented by additional guidance for e.g. interpretative notes issued by the relevant supervisor(s)?
Answer	
4	For each category of executive guidance and operational rules issued by the regulatory and supervisory authority, could you please clarify their enforceability (i.e. which penalties are envisaged in case of breach of such guidance)
Answer	

2.3 Authorisation

EXPLANATION	<p><i>The EU legislation requires institutions to hold a minimum initial capital or separate own funds prior to receiving authorisation to commence their activities. This applies both for credit institutions and investment firms. The CRD envisages different requirements for investment firms depending on the scope of investment activities run by these firms.</i></p> <p><i>The requirements envisaged by the EU legislation follow the key principle that the initial capital should give the institution a stable basis to fund the core business without taking excessive risk, and should show adequate commitment from the investors.</i></p> <p><i>The EU framework also envisages specific rules about the acquisition of “qualifying holding” in a credit institution (i.e. acquiring participations in the credit institution as a result of which the percentage of voting rights or capital held in this institution would exceed any of the thresholds defined in the CRD (e.g. 20%, 30%, 50%). Specific criteria are also set out in order to properly assess the suitability of the proposed acquirer and the financial soundness of the proposed acquisition. Furthermore, specific information and disclosure requirements are envisaged in the CRD.</i></p>
REFERENCES	<p>Provisions about the requirements for the access to the activity of credit institutions are laid down in Art. 8-21 CRD; The rules on initial capital are detailed in Art. 12 CRD for credit institutions and Art. 28-32 CRD for investment firms. Provisions of notification and assessment of a proposed acquisition, as well as the concept of qualifying holding are laid down in Art. 22-27 CRD. Cooperation between competent authorities is specified in Art. 24 CRD.</p>
5	What are the requirements in place in your jurisdiction for granting the authorisation to credit institutions and investment firms to run their activities?

Answer	
6	What are the reasons and circumstances (detriments of law committed by the credit institution) in place in your jurisdiction for the withdrawal of an authorisation that was granted to a credit institution or an investment firm?
Answer	
7	Does your jurisdiction require that acquisitions or increases of qualifying or significant holdings in credit institutions must be subject to notification or application for approval and prudential assessment? <ul style="list-style-type: none"> - If so, how is a qualifying or significant holding defined? - Within this context, are there specific provisions concerning cross-border cooperation between supervisory authorities?
Answer	
8	Which are the requirements in place in your jurisdiction for the initial capital of investment firms?
Answer	

2.4 Prudential Supervision

EXPLANATION	<p><i>This section aims at understanding which types of institutions fall under the scope of prudential supervision in your jurisdiction and whether prudential supervision is performed on an individual institution level or a consolidated level or a combination of both. With regard to the level of consolidation, note that according to the CRR both levels are supervised (i.e. individual and consolidated); supervision at only one level should be carefully explained.</i></p> <p><i>In the EU framework, external auditors (and similar functions) are obliged to inform supervisors about identified material breaches of the laws, regulations or administrative provisions specifying conditions for authorisation or carrying out activities of institutions.</i></p> <p><i>In the EU legislation, supervisors are allowed to impose administrative penalties and other administrative measures in various circumstances ranging from reporting of incomplete or inaccurate information to breach of limits. Moreover, supervisors are required to have appropriate mechanisms in place to encourage reporting of potential or actual breaches of law and institutions are required to have appropriate procedures in place for their employees to report breaches internally.</i></p>
REFERENCES	Please refer to Art.1 CRR for the scope of the regulation and to Art. 6-9 CRR and Art. 11-19 CRR for the level of supervision on a consolidated basis. The control of consolidated accounts is defined in Art.63 CRD, while Art. 66 and 67 CRD specify the administrative penalties and other administrative

	measures, and the circumstances where such administrative penalties or other administrative measures can be imposed. The need for establishing an appropriate system of reporting breaches is set out in Art. 71 CRD.
9	In case the supervision is performed on a consolidated basis in your jurisdiction (Please refer to question 13 in the Pre-screening questionnaire), please explain the rules applicable for the determination of the entities in the scope of prudential consolidation (as opposed to the accounting scope of consolidation).
Answer	
10	Where the supervision is performed on a consolidated basis, please explain the methods used for prudential consolidation (full consolidation, proportionate, equity method)?
Answer	
11	Is there a legal obligation in your jurisdiction for persons responsible for legal control of annual and consolidated accounts (external public auditor) to inform the supervisory authorities about their findings related to any material breach of laws or regulations?
Answer	
12	Is there a legal obligation in your jurisdiction for internal auditors (not just external auditors) to inform the supervisory authorities about their findings related to any material breach of laws or regulations?
Answer	
13	Are the supervisory authorities in your jurisdiction legally in a position to impose administrative penalties, sanctions or other administrative measures on institutions? If so, for which types of detriments of law and regulations and under which conditions? <i>(To avoid duplication of answers, please, see question 17 below)</i>
Answer	

2.5 Supervisory Review Process

EXPLANATION	<i>European supervisors are required to perform an independent evaluation of the institutions' risk situation, since the supervisor might evaluate the risks of the institution differently than the institution itself. Following such independent evaluation of risks, the competent authority is empowered to impose additional capital or other requirements in order to cover any potential additional risk not covered by the institution following its internal evaluation of risks.</i>
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	<p><i><u>Supervisory Review and Evaluation process (SREP):</u> Competent authorities shall review arrangements and processes implemented by the institutions and evaluate the risks to which such institutions are exposed, together with the risks posed to the financial system and its stability. Following such assessment, the competent authorities are endorsed with supervisory measures and supervisory powers in order to minimized or reduce such risks</i></p> <p><i><u>Internal Capital Adequacy Assessment Process (ICAAP):</u> The ICAAP is at the core of the so-called "Pillar II" approach, and requires that institutions undertake a regular assessment of the amounts, types and distribution of capital that they consider adequate to cover the risks to which they are exposed. Such an assessment should cover the major sources of risks to the institutions' ability to meet their liabilities as they fall due and incorporate stress testing and scenario analysis. The ICAAP, and the corresponding internal processes, should be proportionate to the nature, scale and complexity of the institution.</i></p>
REFERENCES	The SREP provisions are defined in Art. 97-107 and 110 CRD. The provisions on ICAAP are set out in Art. 73 CRD. Ongoing review of internal models is defined by Art. 101 CRD.
	Please provide details of the Supervisory Review Process to which institutions are subject in your jurisdiction. In particular please provide details on the following:
14	a. The categorisation of institutions for the purpose of the Supervisory Review Process (i.e. whether there are differences in methodologies applied due to size and complexity or other reasons)
Answer	
15	b. The methodologies employed for the Supervisory Review Process
Answer	
16	c. The areas of investigation/scope of the Supervisory Review
Answer	
17	d. The indicators monitored or findings that would normally trigger supervisory measures
Answer	
18	e. The frequency (supervisory cycle) with which the institutions are evaluated and assessed
Answer	
19	f. The minimum elements that are included in your supervisory review and evaluation process, including key indicators, the results of stress testing,

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

2.6 Fit & Proper and governance

EXPLANATION	<p><i>In order to assess the internal approach to governance and risk measurement chosen by the institution, the review process performed by competent authorities is a thorough and pervasive procedure and covers many areas of the institution: in addition to capital and liquidity adequacy and the treatment of different risks, also governance arrangements including remuneration policies are carefully investigated and assessed.. Such a process is necessary for all institutions, regardless of their size or their systemic importance.</i></p> <p><i>The EU rules also establish that the institutions shall set up an appropriate independent risk management function with dedicated committee to monitor and address the risk strategy and the risk appetite of the institution.</i></p>
REFERENCES	<p>Governance arrangements and remuneration policies are covered in Art. 74, 75, 92, 94 and 95 CRD and in Art. 88, 91 and 96 CRD, while the treatment of risks is laid down in Art. 77-87 CRD. Particular attention should be paid to Art. 76 CRD, where it is stated that Member states should ensure that the management body of the institutions devotes sufficient time to the consideration of risk issues and should be actively involved. In addition this article requires institutions to have an independent risk management function with sufficient authority, statute, resources and access to the management body.</p>
27	<p>In the EU, Article 91(3)(4)(5)(6) of the CRD stipulates the number of directorships that a member of the management body can have. Can you please point to similar references in your law and / or can you provide information on the amount directorships assessed and considered. In addition, do you monitor the time commitment of members?</p>
Answer	
28	<p>In the EU, Article 91(7) of the CRD stipulates that the management body must possess “collective knowledge”. Can you please point to similar references in your law and / or can you provide information on how you assess the collective knowledge of the board assessed and considered?</p>
Answer	
29	<p>In the EU, Article 91(8) of the CRD stipulates that each member of the management body must possess “independence of mind” to effectively assess and challenge the decisions of senior management. Can you please point to similar references in your law and / or can you provide information on how you assess and consider the independence of mind of the management body.</p>
Answer	

30	Are there any requirements on the time commitment of the management body / limitations to the number of directorships?
Answer	
31	Are there any provisions on the composition of the management body (diversity requirements like different gender, different background...)?
Answer	
32	Could you please elaborate on the suitability assessment of members of the management body, including which kind of requirements exist to become part of the management body of a credit institution and an investment firm (limitation of number of directorships, experiences made, etc)?
Answer	
33	Are the above indicated requirements also included for the assessment of the suitability of Key Function Holders ³ ?
Answer	
34	Are there any general requirements for the management body and its composition?
Answer	
35	Could you please elaborate further on the possibilities/requirements for the management body to form committees (e.g. nomination committee, risk committee, etc.)
Answer	

³ Key Function Holders means persons who have significant influence over the direction of the institution, but who are neither members of the management body and are not the CEO. They include the heads of internal control functions and the CFO, where they are not members of the management body, and, where identified on a risk-based approach by CRD-institutions, other key function holders (e.g. heads of significant business lines, third country subsidiaries and other internal functions)

3. Own Funds

General Principles

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

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

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

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

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

In the Basel framework, own funds provisions are detailed in the “Basel III” set of provisions (*Basel III: A global regulatory framework for more resilient banks and banking systems* - <https://www.bis.org/publ/bcbs189.pdf>)

	QUESTION	Art. CRR/CRD	Basel ref.
	Elements of Own Funds		
1	Does your jurisdiction have similar components and ratios of own funds as detailed below? CET 1 capital ratio of 4.5% Tier 1 capital ratio of 6% (composed of CET1 and AT1) Total capital ratio of 8% (composed of CET1, AT1 and T2)	CRR Art. 25 70 71 92	Basel III Par. 49-50

3.1 CET1 Instruments

2	<p>Do the CET1 components in your jurisdiction consist of the items detailed in a) – f) below and does it impose the same conditions and restrictions as contained in Article 26 (1) and Article 26(2) with regard the inclusion of interim and year-end profits? Please also indicate if you have any alternative or other items to those listed below.</p> <p>a) Capital instruments (if eligible, see qualifying conditions in section below)</p> <p>b) share premium accounts</p> <p>c) retained earnings</p> <p>d) accumulated other comprehensive income</p> <p>e) other reserves</p> <p>f) funds for general banking risks</p> <p>With regard to items c-f these items should be available for use to institutions for unrestricted and immediate use to cover risks and / or losses as soon as these occur.</p>	CRR Art. 26 (1) (2)	Basel III par. 52
	Answer	<i>Legislative references</i>	
	Qualifying Conditions for CET1 Instruments		
	Are the requirements and eligibility criteria similar to those listed below and do you impose similar conditions as those detailed in Article 28 of the CRR?	CRR Art. 28	Basel III par. 53
	Answer	<i>Legislative references</i>	
3	Instruments are issued directly by the institution with the prior approval of the owners of the institution or, where permitted under applicable national law, the management body of the institution.	CRR Art. 28(1)(a)	Basel III par. 53
	Answer	<i>Legislative references</i>	
	Instruments are paid up and not funded directly or indirectly by the institution.	CRR Art. 28(1)(b)	
	Answer	<i>Legislative references</i>	

Instruments must meet all the following conditions: <ul style="list-style-type: none"> - qualify as capital - classified as equity within accounting - classified as equity capital for insolvency 	CRR Art. 28(1)(c) (i)(ii)(iii)	
Answer	<i>Legislative references</i>	
Instruments are clearly and separately disclosed on the balance sheet	CRR Art. 28(1)(d)	
Answer	<i>Legislative references</i>	
Instruments are perpetual	CRR Art. 28(1)(e)	
Answer	<i>Legislative references</i>	
The principal amount of the instrument may not be reduced or repaid – with the following exceptions: <ul style="list-style-type: none"> - Liquidation of the institution - Discretionary repurchases - Resolution 	CRR Art. 28(1)(f)(i)(ii) 28(2)	
Answer	<i>Legislative references</i>	
The provisions governing the instrument do not expressly nor indirectly indicate that the instruments would or might be reduced or repaid.	CRR Art. 28(1)(g), 28(2)	
Answer	<i>Legislative references</i>	
Instruments must meet the following conditions with regard to distributions <ul style="list-style-type: none"> - No preferential order of treatment - Distributions to holders must only be paid out of distributable items - No cap or other restrictions on the maximum level of distributions 	CRR Art. 28(1)(h), 28(3), 28(4)	

	<ul style="list-style-type: none"> - Level of distributions is not determined on the basis of the amount for which the instruments were purchased at issuance - No obligation for institutions to make distributions to their holders - Non-payment of distributions does not constitute an event of default of the institution - Cancellation of the distributions imposes no restrictions on the institution 		
	Answer	<i>Legislative references</i>	
	The CET1 instruments absorb the first and proportionately greatest share of losses, <i>pari passu</i> among each other <i>EU legislation considers this condition to be met notwithstanding write downs on principal amounts on AT1 and Tier 2 instruments</i>	CRR Art. 28(1)(i) 28 (2)	Basel III par. 53
	Answer	<i>Legislative references</i>	
	The instruments rank below all other claims in the event of insolvency or liquidation	CRR Art. 28(1)(j)	
	Answer	<i>Legislative references</i>	
	The instruments entitle their owners to a claim on the residual assets of the institution	CRR Art. 28(1)(k)	
	Answer	<i>Legislative references</i>	
	The instruments are not secured or subject to a guarantee that enhances the seniority of the claim by any of the following <ul style="list-style-type: none"> - the institution or its subsidiaries - the parent undertaking of the institution or its subsidiaries - the parent financial holding company or its parents - the mixed activity holding company or its subsidiaries - the mixed financial holding company or its subsidiaries - any undertaking that has close links to the entities described above 	CRR Art. 28(1)(l)	

	Answer	<i>Legislative references</i>	
	The instruments are not subject to any arrangement, contractual or otherwise, that enhances seniority of the claims under the instrument.	CRR Art. 28(1)(m)	
	Answer	<i>Legislative references</i>	
4	Are there specific conditions for the eligibility of capital instruments issued by mutuals, cooperative societies, savings institutions and similar institutions?	CRR Art. 29	
	Answer	<i>Legislative references</i>	
5	Consequences of the conditions of CET1 instruments ceasing to be met	CRR Art. 30	
	What are the consequences in your jurisdiction if the conditions pertaining to CET1 instruments are no longer met?		
	Answer	<i>Legislative references</i>	

3.1.1 Prudential Filters

6	If accounting is based on IFRS (or another accounting system that is influenced by Fair Value measurement) in your jurisdiction, please specify whether prudential filters on securitized assets, cash flow hedges and additional value adjustments are applied to CET1 capital	CRR Art. 32-35	
	Answer	<i>Legislative references</i>	
7	With regard to <u>securitised assets</u> , do you require institutions to exclude from any elements of own funds any increases in its equity, including: <ul style="list-style-type: none"> - Increases associated with future margin income? - Where the institution is the originator of the securitisation, net gains that arise from the capitalisation of future income from the securitised assets that provide credit enhancements to positions in the securitisation? 	CRR Art. 32(1)	Basel III par. 74

	Answer	<i>Legislative references</i>	
8	<p>With regard to <u>cash flow hedges and changes in the value of own liabilities</u> do you expect institutions not to include the following items in any element of own funds (or do you have any alternative items to those below that may change the change the value of own liabilities):</p> <ul style="list-style-type: none"> - The fair value reserves related to gains and losses on cash flow hedges of financial instruments that are not valued at fair value, including projected cash flows? - Gains and losses on liabilities of the institution that are valued at fair value that result from changes in the own credit standing of the institution? - All fair value gains and losses arising from the institution's own credit risk related to derivative liabilities? 	CRR Art. 33(1),(2),(3)	Basel III par. 71, 75
	Answer	<i>Legislative references</i>	
9	<p>With regard to <u>additional value adjustments</u> do you require institutions to apply prudential value adjustments to own funds in relation to assets measured at fair value when calculating the amount of their own funds and deduct from CET1 the amount of any additional value adjustments</p>	CRR Art. 34	
	Answer	<i>Legislative references</i>	

3.1.2 Deductions from CET1 capital

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

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

10	<p>Does your legislation require institutions to deduct the following items from CET1?</p> <ul style="list-style-type: none"> - Losses for the current financial year - Intangible assets - Deferred tax assets that rely on future probability 	CRR Art. 36	Basel III par. 66-90
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	<ul style="list-style-type: none"> - For institutions using the IRB approach negative amounts resulting from the calculation of expected loss amounts - Defined pension benefit fund assets - Direct, indirect and synthetic holdings by an institution of own CET1 instruments - Direct, indirect and synthetic holdings of CET instruments of financial sector entities where those entities have a reciprocal cross holding with the institution - The applicable amount of direct, indirect and synthetic holdings by the institution of CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities - The applicable amount of direct, indirect and synthetic holdings by the institution of CET1 instruments of financial sector entities where the institution has a significant investment in those entities - The amount of items required to deduct from AT1 items - The exposure amount of the following items (qualifying holdings, securitisation positions, free deliveries, positions for which an institution cannot determine a risk weight under the IRB approach, equity exposures under an internal models approach) which qualify for a risk weight of 1250% where the institution deducts that exposure amount from the amount of CET1 items as an alternative to applying a risk weight of 1250% (= total value of the exposure) - Any foreseeable tax charges relating to CET1 		
	Answer	<i>Legislative references</i>	
11	<p>Does the legislation in your jurisdiction require institutions to deduct intangible assets in accordance with:</p> <ul style="list-style-type: none"> - The amount to be deducted would be reduced by the amount of associated deferred tax liabilities - The amount to be deducted shall include goodwill in the valuation of significant investments in the institution 	CRR Art. 37	Basel III par. 67
	Answer	<i>Legislative references</i>	
12	With regard to deductions of deferred tax assets that rely on future profitability, does your legislation require that the amount of	CRR Art. 38	

	<p>deferred tax assets that rely on future profitability be calculated without reducing it by the amount of the associated deferred tax liabilities of the institution, except when the following conditions are met?:</p> <ul style="list-style-type: none"> - The entity has a legally enforceable right under applicable national law to set off those current tax assets against current tax liabilities - The deferred tax assets and liabilities relate to taxes levied by the same taxation authority and on the same taxable entity. 		
	Answer	<i>Legislative references</i>	
13	<p>With regard to tax overpayments, tax carry backs and deferred tax assets that do not rely on future profitability does your jurisdiction omit the following items' deductions from own funds:</p> <ul style="list-style-type: none"> - Overpayments by tax by the institution for the current year - Current year tax losses of the institution carried back to previous years that give rise to a claim on, or a receivable from a central government, regional government or local tax authority <p>Do you require deferred tax assets that do not rely on future profitability to be limited to deferred tax assets arising from temporary differences where the following conditions are met?:</p> <ul style="list-style-type: none"> - They are automatically and mandatorily replaced without delay with a tax credit in the event that the institution reports a loss in the annual financial statement, or in the event of insolvency or liquidation - An institution is permitted under national tax law to offset the tax credit referred to above against any tax liability of the institution or any under undertaking included in the same consolidation as the institution - Where the amount of tax credits referred to above exceed the tax liabilities – any excess is replaced without delay with a direct claim on the central government where the institution is located 	CRR Art. 39	Basel III par. 69
	Answer	<i>Legislative references</i>	

14	<p>Are institutions in your jurisdiction required to deduct defined benefit pension fund assets by the following:</p> <ul style="list-style-type: none"> - The amount of any associated tax liability which can be extinguished if the assets become impaired or were derecognised - The amount of assets in the defined benefit pension fund which the institution has an unrestricted ability to use 	CRR Art. 41	Basel III par. 76, 77
	Answer	<i>Legislative references</i>	
15	<p>With regard to the deduction of holdings of own CET1 instruments; own holdings of CET1 shall be calculated on the basis of a gross long position subject to the following exemptions?:</p> <ul style="list-style-type: none"> - Institutions may calculate the amount of holdings of own CET1 instruments on the basis of a net long position provided that: (i) the long and short positions are in the same underlying exposure and the short positions involve no counterparty risk; and, (ii) either both the long and short positions are held in the trading book or both are held in the non-trading book; - institutions shall determine the amount to be deducted for direct, indirect and synthetic holdings of index securities by calculating the underlying exposure to own Common Equity Tier 1 instruments included in those indices; - institutions may net gross long positions in own CET 1 instruments resulting from holdings of index securities against short positions in own CET 1 instruments resulting from short positions in the underlying indices, including where those short positions involve counterparty risk, provided that: (i) the long and short positions are in the same underlying indices; and (ii) either both the long and the short positions are held in the trading book or both are held in the non-trading book. 	CRR Art. 42	Basel III par. 78
	Answer	<i>Legislative references</i>	
16	What is the definition of significant investment in a financial sector entity for deduction purposes?	CRR Art. 43	Basel III par. 80, 84
	Answer	<i>Legislative references</i>	

17	<p>Is the deduction of holdings of CET1 instruments of financial sector entities where an institution has a reciprocal cross holding designed artificially to inflate own funds subject to the following rules?</p> <ul style="list-style-type: none"> - holdings of CET 1 instruments and other capital instruments of financial sector entities are calculated on the basis of the gross long positions; - Tier 1 own-fund insurance items are treated as holdings of CET 1 instruments for the purposes of deduction. 	CRR Art. 44	Basel III par. 79
	Answer	<i>Legislative references</i>	
18	<p>Is the deduction of holdings of CET1 instruments of financial sector entities (except with regard to own instruments holdings and reciprocal cross holdings) subject to the following rules?:</p> <ul style="list-style-type: none"> - they may calculate direct, indirect and synthetic holdings of Common Equity Tier 1 instruments of the financial sector entities on the basis of the net long position in the same underlying exposure provided that: (i) the maturity of the short position matches the maturity of the long position or has a residual maturity of at least one year; and (ii) either both the long position and the short position are held in the trading book or both are held in the non-trading book; - they shall determine the amount to be deducted for direct, indirect and synthetic holdings of index securities by calculating the underlying exposure to the capital instruments of the financial sector entities in those indices. 	CRR Art. 45	
	Answer	<i>Legislative references</i>	
19	<p>What is the regime for deductions of holdings of CET 1 instruments where an institution does not have a significant investment in a financial sector entity?</p>	CRR Art. 46	Basel III par. 80
	Answer	<i>Legislative references</i>	
20	<p>What is the regime for deductions of holdings of CET 1 instruments where an institution has a significant investment in a financial sector entity?</p> <p>Are such deduction subject to a threshold? If so, does such threshold affect the amount of other deductions as well (e.g., DTA)?</p>	CRR Art. 47 CRR Art. 48	Basel III par. 84, 87

	Answer	<i>Legislative references</i>	
21	<p>Are the following items deducted from CET1 as an alternative to applying a 1250% (= total value of the exposure) risk weight?:</p> <ul style="list-style-type: none"> - qualifying holdings outside the financial sector; - securitisation positions; - free deliveries; - positions in a basket for which an institution cannot determine the risk weight under the IRB Approach; - equity exposures under an internal models approach. 	CRR Art. 36(1)(k)	Basel III par. 90
	Answer	<i>Legislative references</i>	
22	<p>Qualifying holdings outside the financial sector :</p> <ul style="list-style-type: none"> - Is there any prohibition of qualifying holdings outside the financial sector? - If not, what are the applicable right weights/deductions applied to qualifying holding outside the financial sector? - Are there any exception to the above? 	CRR Art. 89 CRR Art. 90 CRR Art. 91	
	Answer	<i>Legislative references</i>	

3.2 AT1 Instruments

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

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

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

23	<p>Do the AT1 components in your jurisdiction consist of the items below?</p> <ul style="list-style-type: none"> - Capital instruments - Share premium accounts related to such instruments 	CRR Art. 51	Basel III par. 54
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	Do you consider other items as AT1 components in your jurisdiction?		
	Answer	<i>Legislative references</i>	
24	Are the qualifying conditions for AT1 instruments in your jurisdiction as follows?		Basel III par. 55
	Answer	<i>Legislative references</i>	
	Instruments are issued and paid up	CRR Art. 51(1)(a)	
	Answer	<i>Legislative references</i>	
	The instruments are not purchased by any of the following; - the institution or its subsidiaries - an undertaking of which the institution has links in the form of ownership, either direct or by way of control, of 20% of the voting rights or capital in that undertaking	CRR Art. 51(1)(b)	
	Answer	<i>Legislative references</i>	
	The purchase of the instruments is not funded directly or indirectly by the institution	CRR Art. 51(1)(c) C	
	Answer	<i>Legislative references</i>	
	The instruments rank below T2 in insolvency of the institution	CRR Art. 51(1)(d)	
	Answer	<i>Legislative references</i>	
The instruments are not secured or subject to a guarantee that enhances the seniority of the claim by any of the following: - the institution or its subsidiaries; - the parent undertaking of the institution or its subsidiaries; - any undertaking that has close links with entities referred above;	CRR Art. 51(1)(e)		

Answer	<i>Legislative references</i>	
The instruments are not subject to any contractual or other arrangements that enhances the seniority of the claim under the instruments in insolvency or liquidation	CRR Art. 51(1)(f)	
Answer	<i>Legislative references</i>	
The instruments are perpetual and their governing provisions do not include incentives for the institution to redeem them	CRR Art. 51(1)(g)	
Answer	<i>Legislative references</i>	
Where the instruments have one or more call options, the option to call may be exercised at the sole discretion of the issuer	CRR Art. 51(1)(h)	
Answer	<i>Legislative references</i>	
The instruments cannot be called, redeemed or repurchased within five years of issuance [except under tax call or regulatory call events]	CRR Art. 51(1)(i)	
Answer	<i>Legislative references</i>	
The governing provisions do not indicate that instruments may be called, redeemed or repurchased and the institution does not provide so apart from the following exceptions - liquidation - discretionary purchases	CRR Art. 51(1)(j)	
Answer	<i>Legislative references</i>	
The institution does not indicate that the competent authority (supervisor) would consent to a call, redemption or repurchase	CRR Art. 51(1)(k)	

	<p>Distributions meet the following conditions</p> <ul style="list-style-type: none"> - they are paid out of distributable items - the level of distributions made will not be amended on the basis of the credit standing of the institution or its parent - the institution has full discretion to cancel the distributions for an unlimited period and on a non-cumulative basis, and the institution may use such cancelled payment without restriction to meet its obligations as they fall due - cancellation of distributions does not constitute a default of the institution - the cancellation imposes no restrictions on the institution 	CRR Art. 51(1)(l)	
	Answer	<i>Legislative references</i>	
	The instruments do not contribute to a determination that the liabilities of an institution exceeds its assets, where such a test constitutes a test of insolvency under national law	CRR Art. 51(1)(m)	
	Answer	<i>Legislative references</i>	
	The provisions governing the instruments require that, upon the occurrence of a trigger event, the principal amount of the instruments be written down on a permanent or temporary basis or the instruments be converted to CET 1 instruments	CRR Art. 51(1)(n)	
	Answer	<i>Legislative references</i>	
	The provisions governing the instruments include no feature that could hinder the recapitalisation of the institution	CRR Art. 51(1)(o)	
	Answer	<i>Legislative references</i>	
	<p>If the instruments are not issued directly by an institution, both the following conditions are met:</p> <ul style="list-style-type: none"> - the instruments are issued through an entity within the prudential consolidation - the proceeds are immediately available to the institution without limitation 	CRR Art. 51(1)(p)	

	Answer	<i>Legislative references</i>	
25	<p>What provisions are their governing the write down or conversion of AT1 instruments in your jurisdiction?</p> <ul style="list-style-type: none"> - A trigger event occurs when CET 1 of the institution falls below: <ul style="list-style-type: none"> - 5.125% - A level higher than 5.125% when determined by the institution and specified in the provisions governing the instrument - Institutions may specify one or more trigger events in addition to those above - If provision require instruments to be converted to CET1 upon a trigger event the provisions should specify the following: <ul style="list-style-type: none"> - the rate and limits on amount of conversion - a range within the instruments will convert into CET1 - Where provisions require a write down upon a trigger event the write down shall reduce all the following: <ul style="list-style-type: none"> - the claim of the holder in the event of insolvency or liquidation - the amount to be paid in the event of a call or redemption - the distributions made on the instrument 	CRR Art. 54	
	Answer	<i>Legislative references</i>	
26	<p>Where a trigger event has occurred does your jurisdiction require institutions to do the following?</p> <ul style="list-style-type: none"> - Inform the authorities - Inform the holders of the AT1 instruments - Write down the principle amount or convert the instruments into CET1 	CRR Art. 54(5)	
	Answer	<i>Legislative references</i>	
27	<p>In the event that the conditions for AT1 instruments cease to be met does your jurisdiction require that:</p>	CRR Art. 55	

	<ul style="list-style-type: none"> - The instrument shall immediately cease to qualify as an AT1 instrument - The part of the share premium accounts that relate to that instrument shall immediately cease to qualify as an AT1 item 		
	Answer	<i>Legislative references</i>	

3.2.1 Deductions from AT1 items

28	<p>Does your jurisdiction require institutions to deduct the following from AT1 items:</p> <ul style="list-style-type: none"> - holdings by an institution of own AT 1 instruments - reciprocal cross holdings of the AT1 instruments of financial sector entities - holdings of the AT1 instruments of financial sector entities, where an institution does not have a significant investment in those entities - holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment - the amount of items required to be deducted from Tier 2 items that exceed the Tier 2 capital - any tax charge relating to AT1 items foreseeable at the moment of its calculation, except where the institution suitably adjusts the amount of AT1 items insofar as such tax charges reduce the amount up to which those items may be applied to cover risks or losses 	CRR Art. 56	Basel III par. 84
	Answer	<i>Legislative references</i>	

29	<p>With regard to the deduction of holdings of own AT1 instruments; should own holdings of AT1 be calculated on the basis of a gross long position subject to the following exemptions?</p> <ul style="list-style-type: none"> - Institutions may calculate the amount of holdings of own AT1 instruments on the basis of a net long position provided that: the long and short positions are in the same underlying exposure and the short positions involve no counterparty risk; and, either both the long and short positions are held in the trading book or both are held in the non-trading book 	CRR Art. 57	
	Answer	<i>Legislative references</i>	
30	<p>Holdings of AT1 instruments of financial sector entities (where the institution has a reciprocal cross holding designed to artificially inflate own funds):</p> <p>What are the provisions/deductions that would apply to the above in your jurisdictions?</p>	CRR Art. 56, 58	
	Answer	<i>Legislative references</i>	
31	<p>Holdings of AT1 instruments where an institution does not have a significant investment in a financial sector entity:</p> <p>What are the provisions/deductions that would apply to the above in your jurisdictions?</p>	CRR Art. 59, 60	
	Answer	<i>Legislative references</i>	
32	<p>Holdings of AT1 instruments where an institution does have a significant investment in a financial sector entity:</p> <p>What are the provisions/deductions that would apply to the above in your jurisdictions?</p>	CRR Art. 56, 59	
	Answer	<i>Legislative references</i>	

3.3 Tier 2 Capital

33	<p>Do the T2 components in your jurisdiction consist of the items below?</p> <ul style="list-style-type: none"> - capital instruments and subordinated loans; - the share premium accounts related to those instruments; 	CRR Art. 62	Basel III par. 57, 60, 61
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	<ul style="list-style-type: none"> - for institutions calculating risk-weighted exposure amounts under the SA, general credit risk adjustments, gross of tax effects, of up to 1,25 % of risk-weighted exposure amounts; - for institutions calculating risk-weighted exposure amounts under IRB, the excess of total eligible provisions over the expected loss, gross of tax effects, up to 0,6 % of risk-weighted exposure amounts. <p>Do you consider other items as T2 components in your jurisdiction?</p>		
	Answer	<i>Legislative references</i>	
	In your jurisdiction, are the qualifying conditions of Tier 2 as follows ?:	CRR Art. 63, 64, 77, 78	
	Answer	<i>Legislative references</i>	
	Instruments are issued and subordinated loans are raised, as applicable and fully paid up	CRR Art. 63(1)(a)	
	Answer	<i>Legislative references</i>	
	<p>Instruments are not purchased or the subordinated loans are not granted by any of the following:</p> <ul style="list-style-type: none"> - <i>the institution or its subsidiaries</i> - <i>an undertaking of which the institution has links in the form of ownership, either direct or by way of control, of 20% of the voting rights or capital in that undertaking</i> 	CRR Art. 63(1)(b)	Basel III par. 58
	Answer	<i>Legislative references</i>	
	The purchase of the instruments is not funded directly or indirectly by the institution	CRR Art. 63(1)(c)	
	Answer	<i>Legislative references</i>	

	The claim on the principal amount of the instruments or subordinated loans is wholly subordinated to the claims of all other non-subordinated creditors	CRR Art. 63(1)(d)	
	Answer	<i>Legislative references</i>	
	<p>The instruments or subordinated loans are not secured or subject to a guarantee that enhances the seniority of the claim by any of the following;</p> <ul style="list-style-type: none"> - <i>the institution or its subsidiaries</i> - <i>the parent undertaking of the institution or its subsidiaries</i> - <i>- the parent financial holding company or its subsidiaries</i> - <i>-The mixed activity holding company or its subsidiaries</i> - <i>-The mixed financial holding company or its subsidiaries</i> - <i>any undertaking that has close links with these entities</i> 	CRR Art. 63(1)(e)	
	Answer	<i>Legislative references</i>	
	The instruments or subordinated loans are not subject to any arrangement that enhances the seniority of the claim under the instrument or subordinated loan.	CRR Art. 63(1)(f)	
	Answer	<i>Legislative references</i>	
	The instruments or subordinated loans have an original maturity of at least five years	CRR Art. 63(1)(g)	
	Answer	<i>Legislative references</i>	
	The provisions governing the instruments or the subordinated loans do not have any incentive for their principal amount to be redeemed or repaid by the institution to their maturity	CRR Art. 63(1)(h)	
	Answer	<i>Legislative references</i>	

Where the instruments or the subordinated loans include one or more call options or early replacement options the options are exercisable at the sole discretion of the issuer or debtor	CRR Art. 63(1)(i)	
Answer	<i>Legislative references</i>	
The instruments or the subordinated loans may be called, redeemed or repurchased or repaid early, subject to conditions and not before five years	CRR Art. 63(1)(j)	
Answer	<i>Legislative references</i>	
The provisions instruments or the subordinated loans do not indicate that the instruments or the subordinated loans would or might be recalled or repaid early, other than in the case of insolvency or liquidation of the institution	CRR Art. 63(1)(k)	
Answer	<i>Legislative references</i>	
The provisions of the instruments or the subordinated loans do not give the holder the right to accelerate the future scheduled payment of interest or principal other than in the case of insolvency or liquidation of the institution	CRR Art. 63(1)(l)	
Answer	<i>Legislative references</i>	
The level of interest or dividend payments on the instruments or the subordinated loans will not be amended on the basis of the credit standing of the institution or its parent undertaking	CRR Art. 63(1)(m)	
Answer	<i>Legislative references</i>	
Where the instruments or the subordinated loans are not issued or raised directly by the institution then both of the following conditions must be met <ul style="list-style-type: none"> - <i>Instruments are issued or subordinated loans are raised through an entity which is part of the consolidation</i> 	CRR Art. 63(1)(n)	

	- <i>The proceeds are immediately available to the institution without limitation</i>		
	Answer	<i>Legislative references</i>	
	Consequences of the conditions of Tier 2 instruments ceasing to be met		
34	In case the conditions pertaining to Tier 2 instruments are no longer met, how and when is the instrument considered in the own funds (i.e. immediate disqualification) ?	CRR Art. 65	
	Answer	<i>Legislative references</i>	

3.3.1 Deductions from Tier 2 items

35	<p>Does your jurisdiction require institutions to deduct the following from Tier 2 items:</p> <ul style="list-style-type: none"> - holdings by an institution of own Tier 2 instruments? - reciprocal cross holdings of the Tier 2 instruments of financial sector entities? - holdings of the Tier 2 instruments of financial sector entities, where an institution does not have a significant investment in those entities? - holdings by the institution of the Tier 2 instruments of financial sector entities where the institution has a significant investment? 	CRR Art. 66	
	Answer	<i>Legislative references</i>	
36	Please describe the regime of deductions of holdings of own Tier 2 instruments	CRR Art. 67	
	Answer	<i>Legislative references</i>	
37	Please describe the regime of deduction of holdings of Tier 2 instruments of financial sector entities and where an institution has a reciprocal cross-holding designed artificially to inflate own funds	CRR Art. 68	
	Answer	<i>Legislative references</i>	

38	Please describe the regime of deduction of holdings of Tier 2 instruments of financial sector entities	CRR Art. 69	
	Answer	<i>Legislative references</i>	
39	Please describe the regime of deduction of Tier 2 instruments where an institution does not have a significant investment in a relevant entity	CRR Art. 70	
	Answer	<i>Legislative references</i>	

3.4 Reduction of Own Funds

To reduce own funds (call, repurchase, and redemption), institutions must ask for permission to the competent authority, respect the timing for reductions of own funds, and ensure an adequate level of capital after the reduction (which implies the replacement of the instrument by another one of equal or higher quality where necessary, or the demonstration that the institution still meets the quantitative requirements for own funds).

40	Please give an overview with regard to the conditions for reducing own funds in your jurisdiction Please provide an overview on the conditions to grant permission for redemption.	CRR Art. 77-78	
	Answer	<i>Legislative references</i>	
41	Is permission to reduce own funds before five years of the date of issue subject to special conditions? If so, which ones?	CRR Art. 78(4)	
	Answer	<i>Legislative references</i>	

3.5 Minority Interests

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

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

The prudential rationale behind this requirement is that while minority interest supports the risks taken by the subsidiary, it is not necessarily available to back the risks taken by the group.

Therefore, excess capital above the minimum requirement of the subsidiary can be included in the group capital only in proportion to the minority share.

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

42	<p>What are the requirements in your jurisdiction for minority interests and their inclusion in CET 1 consolidated capital?</p> <p>Please describe any limits to the eligible issuers and to the amounts of minority interests to be computed in CET1 consolidated capital</p>	CRR Art. 81-84	Basel III par. 62
	Answer	<i>Legislative references</i>	
43	<p>What are the requirements in your jurisdiction for minority interests and their inclusion in Tier 1 and Tier 2 capital and qualifying own funds?</p> <p>Please describe any limits to the eligible issuers and to the amounts of minority interests to be computed in consolidated Tier 1 and Tier 2 capital</p>	CRR Art. 85-88	Basel III par. 63
	Answer	<i>Legislative references</i>	
44	Does your jurisdiction allow minority interests issued by a special purpose entity to be included in CET1, Tier 1 or Tier 2 capital?	CRR Art. 83	
	Answer	<i>Legislative references</i>	

4. General Requirements, Valuation and Reporting

General Principles

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

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

5. Credit Risk - Standardised method

General principles – ALL METHODS

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

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

In the Basel framework, Credit Risk (Standardised Method, IRB approach and Credit Risk Mitigation) is included in the "Basel II" set of provisions (*International Convergence of Capital Measurement and Capital Standards* - <https://www.bis.org/publ/bcbs128.pdf>)

	QUESTION	Art. CRR/CRD	Basel ref.
1	How is the exposure value defined? Please specify both the case of an on-balance sheet and of an off-balance sheet item	CRR Art. 111	Basel II Par 52
	Answer	<i>Legislative references</i>	
	Please specify the risk weights assigned to the following exposures classes:		
2	<i>Central Governments/central banks</i>	CRR Art. 114	Basel II Par. 53-55
	Answer	<i>Legislative references</i>	
3	<i>Regional governments/local authorities</i>	CRR Art. 115	Basel II F.note 23
	Answer	<i>Legislative references</i>	
4	<i>Public sector entities</i>	CRR Art. 116	Basel II Par. 57-58
	Answer	<i>Legislative references</i>	

5	<i>Multilateral development banks</i>	CRR Art. 117	Basel II Par. 59
	Answer	<i>Legislative references</i>	
6	<i>International organisations</i>	CRR Art. 118	Basel II Par. 56
	Answer	<i>Legislative references</i>	
7	<i>Institutions (credit institutions and investment firms)</i>	CRR Art. 120 and 130	Basel II Par. 60-64 and 103-106
	Answer	<i>Legislative references</i>	
8	Are there any difference in risk weights between rated and unrated institutions as well as between short-term and long-term exposures. Please specify whether short-term maturity is referred to residual or to original maturity	CRR Art. 120 and 130	
	Answer	<i>Legislative references</i>	
9	<i>Corporates</i>	CRR Art. 122	Basel II Par. 66-68
	Answer	<i>Legislative references</i>	
10	<i>Retail exposures</i>	CRR Art. 123	Basel II Par. 69-71
	Answer	<i>Legislative references</i>	
11	<i>Residential properties secured by mortgages</i>	CRR Art. 125	Basel II Par. 72-73
	Answer	<i>Legislative references</i>	
12	<i>Commercial real estate secured by mortgages</i>	CRR Art. 126	Basel II Par. 74
	Answer	<i>Legislative references</i>	
13	<i>Default exposures</i>	CRR Art. 127	Basel II Par. 75-78
	Answer	<i>Legislative references</i>	
14	<i>High risk exposures</i>	CRR Art. 128	Basel II Par. 79-80
	Answer	<i>Legislative references</i>	
15	<i>Covered Bonds</i>	CRR Art. 129	

	Answer	<i>Legislative references</i>	
16	<i>Equity Exposures</i> <i>Please specify the treatment for CiUs/mutual funds</i>	CRR Art. 132 and 133	Basel II Par. 81
	Answer	<i>Legislative references</i>	
17	Under the EU framework, we require that the competent authorities of a third country apply supervisory and regulatory arrangements equivalent to the European framework in order to allow banks to use of any preferential treatment (lower risk weights) recognised by the third country authorities for specific exposures located in third countries (e.g. central governments, regional governments, local authorities, credit institutions, investment firms, clearing houses, central banks). Does your jurisdiction allow a similar treatment? Under which conditions?	CRR Art. 107, 114, 115, 116, 132, 142	Basel II Par. 54, 64
	Answer	<i>Legislative references</i>	
18	How does your legislation define and qualify a Public Sector Entity? PSEs might be categorised based on one specific feature (namely revenue raising powers) or by focusing on the extent of guarantees provided by the central government.	CRR Art. 4.1(8)	Footnote 22&23 (Basel II) Footnote 11&12 (Basel III)
	Answer	<i>Legislative references</i>	
19	How do you qualify retail exposures?	CRR Art. 123	Basel II Par. 70
	Answer	<i>Legislative references</i>	
20	Does your legislation envisage the possibility to increase risk weights for exposures secured by residential or commercial real estate mortgages? Please specify	CRR Art. 124(2)	Basel III Par. 72, 73
	Answer	<i>Legislative references</i>	
21	Is there a condition on cross dependence between the value of property and credit quality of the borrower? (i.e. the value of the property shall not materially depend upon the credit quality of the borrower AND the risk of the borrower shall not materially depend upon the performance of the underlying property or project)	CRR 125 (2.a 2b) CRR 126 (2.a 2.b)	

	Answer	<i>Legislative references</i>	
22	Which Loan to Value to qualify for the more favourable treatment of exposures secured by mortgages on residential property?	CRR 125 (2.d)	
	Answer	<i>Legislative references</i>	
23	Which Loan to Value to qualify for the more favourable treatment of exposures secured by mortgages on commercial property?	CRR art 126.2 and 126.3	Basel II Footnote 26
	Answer	<i>Legislative references</i>	
24	How does your legislation define exposures that are in default?	CRR Art. 178	Basel II Par. 75-78
	Answer	<i>Legislative references</i>	

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

General Principles – IRB approach

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

In the Basel framework, Credit Risk (Standardised Method, IRB approach and Credit Risk Mitigation) is included in the “Basel II” set of provisions (*International Convergence of Capital Measurement and Capital Standards* - <https://www.bis.org/publ/bcbs128.pdf>)

6.1 General Requirements

	QUESTION	Art. CRR/CRD	Basel ref.
1	Do institutions need to get prior permission to use the IRB approach?	CRR Art. 143 (1)(2)	Basel II Par. 211
	Answer	<i>Legislative references</i>	
2	Do institutions need to get prior permission for material changes of the rating systems or their range of application?	CRR Art. 143 (3)	
	Answer	<i>Legislative references</i>	
3	Which are the elements assessed and required by your authority to authorise the use of the IRB approach? Is there any requirement in terms of prior experience in using internal models?	CRR 144-145	
	Answer	<i>Legislative references</i>	
4	Which classes of exposures are envisaged in your legislation for IRB approach? Can you please specify the criteria used to assign exposures to each respective class?	CRR 147 (2)	Basel II 215-243
	Answer	<i>Legislative references</i>	
5	In the EU regulation, institutions may be authorised by the competent authorities to use own estimates of LGDs and conversion factors for some class of exposures (Advanced-	CRR Art. 151	

	IRB), or to use values set out in the Regulation (Foundation-IRB). Does your jurisdiction envisage both the F-IRB and the A-IRB approaches? Please provide details on the class of exposures for which the own estimate of LGDs is admitted		
	Answer	<i>Legislative references</i>	
6	Which is the procedure to implement the IRB Approach across different classes of exposure and business units?	CRR Art. 148	Basel II Par. 256-262
	Answer	<i>Legislative references</i>	
7	Under which condition is possible to revert to Standardised Approach once the IRB method has been authorised by the supervisor? Is supervisory approval needed in order to revert to a less sophisticated approach? (Y/N)	CRR Art. 149	
	Answer	<i>Legislative references</i>	
8	Under which conditions and for which exposures does your legislation envisage the possibility of permanent partial use, i.e. the use of Standardised Approach for some portfolios when the IRB approach has already been authorised for other portfolios?	CRR Art. 150	Basel II Par. 263-269
	Answer	<i>Legislative references</i>	

6.2 Calculation of risk weighted exposures amounts

9	Please provide details of the supervisory formula employed to calculate risk weighted exposure amounts to <u>corporates, institutions and central government and central banks</u> , including the formula for risk weighted exposure amounts for exposures in default.	CRR Art. 153(1)	Basel II Par. 271-272
	Answer	<i>Legislative references</i>	
10	Which correlation coefficient do you apply for financial entities? What are the criteria for the entities to apply a higher correlation coefficient?	CRR 153(2), 142(4)(5)	Basel II, added later as an amendment
	Answer	<i>Legislative references</i>	

11	Is there adjustment allowed for small and medium-sized enterprises (SMEs)?	Art. CRR 153(4)	Basel II Par. 273-274
	Answer	<i>Legislative references</i>	
12	In EU, capital requirements for credit risk on exposures on SMEs shall be multiplied by a factor of 0.7619 (“SME Supporting Factor”). Is there a similar treatment envisaged for exposures on SMEs or other classes of exposures/entities in your legislation?	Art. 501 CRR	
	Answer	<i>Legislative references</i>	
13	The European legislation allows for a special treatment of specialised lending transactions when banks are not able to estimate PDs. It puts forward a set of supervisory risk weights. Have you implemented any special treatment for specialised lending? If yes, which are the risk weights envisaged in your jurisdiction for specialised lending exposures under supervisory slotting approach?	Art. CRR 153(5)	Basel II Par. 275
	Answer	<i>Legislative references</i>	
14	Which is the capital requirement for exposures secured by a guarantee or credit derivative subject to the double default effect? What are the conditions for the application of this treatment?	CRR 153(3)	Basel II Par. 284
	Answer	<i>Legislative references</i>	
15	Please provide details of the supervisory formula employed to calculate risk weighted exposures amount for <u>retail exposures</u> including the formula for risk weighted exposure amounts for exposures in default	CRR 154	Basel II Par. 327
	Answer	<i>Legislative references</i>	
16	In the EU retail exposures must fulfil several condition to be classified as “ qualified revolving retail exposures (QRRE)” and to be subject to a risk-weight function with a lower correlation coefficient. Have you established a differentiate treatment for this type of exposures? How does your provisions define qualifying revolving retail exposures?	CRR Art. 154(4)	Basel II Par. 234
	Answer	<i>Legislative references</i>	

17	Which are the conditions for purchased receivables to be eligible for retail treatment?	CRR Art. 154(5)	
	Answer	<i>Legislative references</i>	
18	What are the available methods for the calculation of risk weighted exposure amounts for <u>equity exposures</u> ? Please provide details of the supervisory formula employed to calculate risk weighted exposures amount for equity exposures for each of the available methods (simple risk weight, PD/LGD approach, internal models).	CRR 155	Basel II Par. 339-358
	Answer	<i>Legislative references</i>	
19	How is the risk weighted exposure amount for <u>other non-credit obligation assets</u> calculated?	CRR 156	
	Answer	<i>Legislative references</i>	
20	How is the risk weighted exposure amount for dilution risk of purchased receivables calculated?	CRR 157	
	Answer	<i>Legislative references</i>	

6.3 Calculation and treatment of expected loss amount

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

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

6.4.1 Corporates, institutions and central governments/central banks

23	What is the minimum value of PD depending on the exposure class? What is the value of PD for exposures in default?	CRR Art. 160 (1), 160(3),	
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	Answer	<i>Legislative references</i>	
24	Under which conditions/requirements is unfunded credit protection (i.e. guarantees and credit derivatives) recognised in the PD or LGD estimation? Please differentiate between institutions adopting F-IRB Method and institutions using own-LGD estimates (A-IRB)	CRR Art. 160(4), 160(5), 161(3)	
	Answer	<i>Legislative references</i>	
25	How are relevant risk factors (PD, LGD and maturity) for purchased corporate receivables estimated under the IRB Method?	CRR Art. 160(2), 160(6), 161(1)(e-f), 161(2)	
	Answer	<i>Legislative references</i>	
26	Under the F-IRB approach, could you please indicate which LGD values should be applied by institutions per different class of exposure?	CRR Art. 161(1)	Basel II Par. 287 288
	Answer	<i>Legislative references</i>	
27	In case of institutions that have not received permission to use on-LGD estimates (i.e. adopting F-IRB), could you please provide details of the calculation of Maturity for corporates, institutions, central government and central banks?	CRR 162(1)	
	Answer	<i>Legislative references</i>	
28	In case of institutions that have received permission to use own-LGD estimates (i.e. adopting A-IRB), could you please provide details of the calculation of Maturity for corporates, institutions, central government and central banks?	CRR 162(2)	
	Answer	<i>Legislative references</i>	

6.4.2 Retail Exposures

29	What is the minimum value of PD? What is the value of PD for exposures in default?	CRR Art. 163(1), 163(2)	
	Answer	<i>Legislative references</i>	

30	Which are the requirements to be fulfilled for the estimation of LGD values? In particular, under which conditions/requirements is unfunded credit protection (i.e. guarantees and credit derivatives) recognised in the PD or LGD estimation?	CRR Art. 163(4), 164(2-3)	
	Answer	<i>Legislative references</i>	
31	In case of retail exposures secured by residential property or commercial property are there any floors to the value of LGD?	CRR Art. 164 (4)	
	Answer	<i>Legislative references</i>	

6.4.3 Equity Exposures

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

6.5 Calculation of the exposure value

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

6.6 Qualitative requirements for the application of the IRB approach

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

35	Which are the requirements for the rating systems in terms of their structure, assignment of exposures to grades or pools, documentation and data maintenance? Please refer both to model development requirements and to the	CRR Art. 169-176	Par. 394-433 Basel II
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	application of the model in the ongoing rating assignment processes.		
	Answer	<i>Legislative references</i>	
36	Which stress testing procedures do institutions need to have in place? Is there a requirement to regularly perform credit risk stress tests?	CRR Art. 177	Basel II Par. 434-437
	Answer	<i>Legislative references</i>	
37	What is the definition of default? How is materiality threshold for past due credit obligations specified? Is there any provision to define the “unlikeliness to pay” of an obligor?	CRR Art. 178	Basel II Par. 452-457
	Answer	<i>Legislative references</i>	
38	Which are the overall requirements for estimations of risk parameters?	CRR Art. 179	Basel II Par. 446-451
	Answer	<i>Legislative references</i>	
39	Which are the specific requirements for estimation of Probability of Default (PD)	CRR Art. 180	Basel II Par. 461-467
	Answer	<i>Legislative references</i>	
40	Which are the specific requirements for estimation of Loss Given Default (LGD)	CRR 181	Basel II Par. 468-473
	Answer	<i>Legislative references</i>	
41	Which are the specific requirements for estimation of conversion factors?	CRR 182	
	Answer	<i>Legislative references</i>	
42	Which requirements are in place for the recognition of guarantees and credit derivatives (see also section on Credit Risk Mitigation)?	CRR 183	Basel II Par. 480-489
	Answer	<i>Legislative references</i>	
43	What are the conditions for purchased receivables to be included under the IRB Approach?	CRR 184	Basel II par. 491-499
	Answer	<i>Legislative references</i>	

44	Which are the requirements for the validation of rating systems and estimates of risk parameters?	CRR Art. 185	Basel II Par. 500 -505
	Answer	<i>Legislative references</i>	
45	Which are the minimum requirements for risk quantification that are applied for calculating capital charges under the internal model approach for equity exposures ?	CRR Art. 186	Basel II Par. 527
	Answer	<i>Legislative references</i>	
46	Which are the requirements for the risk management processes, policies procedures and controls for institutions applying internal models approach for equity exposures ?	CRR Art. 187	Basel II Par. 528
	Answer	<i>Legislative references</i>	
47	Which are the requirements for the validation and documentation of internal models for equity exposures ?	CRR Art. 188	Basel II Par. 529-536
	Answer	<i>Legislative references</i>	
48	Which are the requirements related to the IRB Approach for the senior management and management body of an institution? In particular, is there a requirement for the management body to approve all material aspects of the rating and estimation processes? What are the requirements with regard to the management reporting?	CRR Art. 189	Basel II Par. 438-440
	Answer	<i>Legislative references</i>	
49	Is there a requirement to have a “Credit Risk Control” function independent from originating or renewing exposures, that should be responsible for the design, implementation, oversight and performance of the rating system and that should report directly to senior management?	CRR Art. 190	Basel II Par. 441-442
	Answer	<i>Legislative references</i>	
50	Is there a requirement for an internal or external audit unit to review at least annually the rating systems and its operations?	CRR Art. 191	
	Answer	<i>Legislative references</i>	

7. Credit Risk Mitigation Techniques

General principles

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

The CRR distinguishes two types of CRM techniques: (i) 'funded credit protection' and (ii) 'unfunded credit protection'. To this extent, Articles 4(1)(58) and 4(1)(59) of the CRR include, respectively, the following definitions⁴:

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

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

In the Basel framework, Credit Risk (Standardised Method, IRB approach and Credit Risk Mitigation) is included in the "Basel II" set of provisions (*International Convergence of Capital Measurement and Capital Standards* - <https://www.bis.org/publ/bcbs128.pdf>)

⁴ A useful overview of the CRM Techniques in the European framework defined by the CRR is provided by the EBA Report on Credit Risk Mitigation Framework available here: <https://eba.europa.eu/documents/10180/2087449/EBA+Report+on+CRM+framework.pdf>

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

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

7.1.1 Funded Credit Protection (FCP)

a. General questions

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

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

<i>In the EU framework, for funded credit protection must fulfil certain requirements and eligibility criteria. In the questions below, please provide details about the requirements and the eligibility criteria in your jurisdiction. Please provide details about any differences in treatment</i>			
3	<u>i. ON BALANCE SHEET NETTING (OBSN)</u> - In case you recognise on balance sheet netting, is it limited to loans and deposits? Which are the requirements demanded to recognise this type of agreements (On-Balance Sheet Netting agreements)?	CRR Art. 195 and 205	Basel II Par 139 and 188
	Answer	<i>Legislative references</i>	
4	<u>iii. FINANCIAL COLLATERAL</u> - Which are the eligibility requirements for Financial collateral? For instance, legal	CRR Art. 207	Basel II Par. 118

	certainty, no material positive correlation between the credit quality of the obligor and the value of the collateral...		and 120-128
	Answer	<i>Legislative references</i>	
5	<u>ii. MASTER NETTING AGREEMENTS (MNA)</u> – Do you recognise MNA? Which are the requirements for recognition of Master Netting Agreements? Have you defined any eligibility criteria for collateral under MNA?	CRR Art. 196, 206	Basel II par. 173-174
	Answer	<i>Legislative references</i>	
<i>The CRR differentiates between the type of financial collateral that can be used under the Financial Collateral Simple Method and the Financial collateral Comprehensive Method. Please answer the two questions below</i>			
6	Which type of financial collateral is eligible for the purpose of credit risk mitigation under the Financial Collateral Simple Method?	CRR Art. 197	Basel II Par. 145
	Answer	<i>Legislative references</i>	
7	Which additional type of financial collateral (if any) is eligible for purpose of credit risk mitigation under the Financial Collateral Comprehensive Method?	CRR Art. 198	Basel II Par. 146
	Answer	<i>Legislative references</i>	
8	<u>iv. OTHER FUNDED CREDIT PROTECTION (Non-Physical Collateral)</u> – Under the CRR, Cash on deposit with a third party institution and life insurance instrument can be used as financial collateral under SA. Which other type of non-physical collateral is available for Funded Credit Protection? Under which requirements?	CRR Art. 200 and 212	
	Answer	<i>Legislative references</i>	
<i>Within the CRR framework, there are some forms of non-physical collateral that can be employed under F-IRB – <u>but not under SA</u> – when certain type of requirements are satisfied (questions 9-13)</i>			
9	Under the F-IRB approach, which additional type of collateral is eligible for purpose of credit risk mitigation? Which are the requirements?	CRR Art. 199, 208- 210	Basel II Par. 289, 511-522
	Answer	<i>Legislative references</i>	

10	Under the F-IRB approach, which are the eligibility requirements for Financial receivables?	CRR Art. 209	Basel II Par. 511
	Answer	<i>Legislative references</i>	
11	Under the F-IRB approach, do you envisage a special treatment for lease exposures? If yes, which conditions have you established to allow banks applying the special treatment?	CRR Art. 211	Basel II Par. 523
	Answer	<i>Legislative references</i>	
12	v. <u>PHYSICAL COLLATERAL</u> - Which are the eligibility requirements for Immovable property (Commercial Real Estate/Residential Real Estate)?	CRR Art. 124, 125, 126, 208	
	Answer	<i>Legislative references</i>	
13	Which are the eligibility requirements for other physical collateral (i.e. not residential or commercial real estate) to be used under the F-IRB approach? <i>(please specify if other physical collateral is eligible under SA)</i>	CRR Art. 210	Basel II Par. 520-521
	Answer	<i>Legislative references</i>	
14	vi. <u>CREDIT-LINKED NOTES (CLN)</u> – Under the CRR, CLN are credit derivatives eligible and treated as funded credit protections. Are credit linked-notes eligible in your jurisdiction? If yes under which eligibility requirements?	CRR Art. 218	Par 194 and footnote 56 Basel II
	Answer	<i>Legislative references</i>	

c. The effects of funded credit protection

15	i. <u>ON BALANCE SHEET NETTING (OBSN)</u> – How are the effects of Funded Credit Protection calculated when On Balance Sheet Netting is employed?	CRR Art. 219	Par 147 and 188 Basel II
	Answer	<i>Legislative references</i>	
16	ii. <u>MASTER NETTING AGREEMENTS (MNAs)</u> - Can you provide details of the Supervisory Formula employed to calculate the value of exposures in case of Master Netting Agreements under the Standardised Approach?	CRR Art. 220	176-177 Basel II

	Answer	<i>Legislative references</i>	
17	Which are the conditions to include the effects of Master Netting Agreements when estimating exposure value under the Internal Models Approach? Can you please provide details of the formula to calculate the fully adjusted exposure value?	CRR Art. 221	181 Basel II
	Answer	<i>Legislative references</i>	
<p><i>In the CRR framework, other than through OBSN and MNAs, the effects of using financial collateral for Funded Credit Protection can be calculated using either the Financial Collateral Simple Method (FCSM) or the Financial Collateral Comprehensive Method (FCCM). When using the STA approach, both FCSM and FCCM are available; when using the F-IRB approach, only the FCCM is available for the purposed of Funded Credit Protection.</i></p>			
	<u>iii. FINANCIAL COLLATERAL</u>		
18	<p><u>Under the FCSM</u>, the collateralised part of the exposure is assigned the risk weight that the institution would assign if it had a direct exposure to the collateral issuer, subject to a 20% floor, except in specific cases. The unsecured part of the exposure remains risk weighted as the original exposure.</p> <p>Which are the conditions/requirements to use the Financial Collateral Simple Method? Which are the risk weights to be employed?</p>	CRR Art. 222	Basel II Par. 182-185
	Answer	<i>Legislative references</i>	
19	<p><u>Under the FCCM</u>, the exposure value is reduced by the collateral amount after relevant volatility adjustments (or 'haircuts') are applied, and the resulting reduced exposure value is multiplied by the risk weight assigned to the original exposure as if it were not collateralised.</p> <p>How is the fully adjusted value of exposure taking into account both the volatility adjustment and the mitigating effect of collateral under the Financial Collateral Comprehensive Method? <i>(Please provide detail of the formula employed)</i></p>	CRR Art. 223	Basel II Par. 147-150
	Answer	<i>Legislative references</i>	
20	<u>Under the FCCM</u> , which are the standard supervisory volatility adjustments to be applied by institutions?	CRR Art. 224	Basel II Par. 151-153

20	<u>Under the FCCM</u> , are institutions allowed to use their own estimates of the volatility adjustment coefficient? Under which requirements?	CRR Art. 225	Basel II Par. 154-165
	Answer	<i>Legislative references</i>	
21	<u>Under the FCCM</u> , which is the formula used to estimate the volatility adjustment coefficient in case of longer frequency of re-margining/revaluation than the minimum?	CRR Art. 225(2), 226	Basel II Par. 168-169
	Answer	<i>Legislative references</i>	
22	<u>Under the FCCM</u> , which are the necessary conditions for setting a 0% coefficient of volatility adjustment (H)?	CRR Art. 227	Par. 170-171 Basel II
	Answer	<i>Legislative references</i>	
23	<u>Under the FCCM</u> , how is the LGD applicable to a collateralised transaction computed under F-IRB approach?	CRR Art. 228	Par. 291-293 Basel II
	Answer	<i>Legislative references</i>	
24	<u>iv. OTHER (non-physical) FUNDED CREDIT PROTECTION</u> – How are the effects of unfunded credit protection calculated in case other non-physical collateral is employed?	CRR Art. 232	Par. 295 Basel II
	Answer	<i>Legislative references</i>	
25	How are the effects of unfunded credit protection from using non-physical collateral calculated under F-IRB approach?	CRR Art. 229-230	Par. 295 Basel II
	Answer	<i>Legislative references</i>	
26	Which is the methodology to determine the effective LGD of a collateralised transaction in case of pools of collateral?	CRR Art. 231	Par. 296 Basel II
	Answer	<i>Legislative references</i>	
27	<u>v. PHYSICAL COLLATERAL</u> – How do your provisions calculate the effects of using physical collateral as Funded Credit Protection under the SA approach?	CRR Art. 124 125 126	
	Answer	<i>Legislative references</i>	

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

7.1.2 Unfunded Credit Protection (UFCP)

a. General questions			
30	Which providers are eligible for unfunded credit protection (under the Standardised and under the F-IRB approaches)?	CRR Art. 201-202	195 Basel II
	Answer	<i>Legislative references</i>	
31	Which type of credit derivatives are eligible as collateral or unfunded credit protection for credit risk mitigation?	CRR Art. 204	193 Basel II
	Answer	<i>Legislative references</i>	

b. Requirements and Eligibility Criteria

32	Which are the eligibility common requirements for guarantees and credit derivatives?	CRR Art. 213	189 Basel II
	Answer	<i>Legislative references</i>	
33	Are sovereign and public sector counter-guarantees allowed in you jurisdiction? Under which conditions?	CRR Art. 214	Par. 201 Basel II
	Answer	<i>Legislative references</i>	
34	Are there any additional eligibility requirements for guarantees to be recognised as a method of credit protection?	CRR Art. 215	Par. 190 Basel II
	Answer	<i>Legislative references</i>	
35	Are there additional eligibility requirements for credit derivatives to be recognised as a mean of credit protection?	CRR Art. 216	Par. 191 Basel II

	Answer	<i>Legislative references</i>	
36	Which are the eligibility requirement for credit protection be recognised under double-default within the IRB approach	CRR Art. 217	Par. 307 Basel II
	Answer	<i>Legislative references</i>	

c. The effects of unfunded credit protection

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

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

37	Which approach is adopted to calculate the effects of unfunded credit protection?	CRR Art. 233	
	Answer	<i>Legislative references</i>	
38	In case the unfunded credit protection is provided in a currency different from that in which the exposure is denominated, how is any adjustment carried out?	CRR Art. 233(3)	Par. 200 Basel II
	Answer	<i>Legislative references</i>	
39	Which is the treatment of any credit protection in case the amount guaranteed is less than the amount of the exposure (proportional or tranche cover)?	CRR Art. 234	Par. 198-199 Basel II
	Answer	<i>Legislative references</i>	
40	How is the risk weighted exposure amount computed in case UFCP is applied under the SA method?	CRR Art. 235	
	Answer	<i>Legislative references</i>	
41	How is the risk weighted exposure amount computed in case UFCP is applied under the F-IRB method?	CRR Art. 236	
	Answer	<i>Legislative references</i>	

7.1.3 Maturity Mismatches and Basket Techniques

42	How is the value of credit protection (both funded and unfunded) adjusted to take into account any maturity mismatches?	CRR Art. 237-239	Par. 202-205 Basel II
	Answer	<i>Legislative references</i>	
In case of basket CRM techniques, which is the treatment envisaged for the following:			
43	First-to-default credit derivatives	CRR Art. 240	Par. 206-208 Basel II
	Answer	<i>Legislative references</i>	
44	Nth-to-default credit derivatives	CRR Art. 241	Par. 209-210 Basel II
	Answer	<i>Legislative references</i>	

7.2 Credit Risk Mitigation under A-IRB approach

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

7.2.1 Funded Credit Protection

45	Which are the eligibility requirements in terms of collateral management, legal certainty and risk management in case of Funded Credit Protection (FCP) other than Master Netting Agreements (MNA) and On-Balance Sheet Netting (OBSN)	Art. 181 (1)(f) CRR	
	Answer	<i>Legislative references</i>	
46	How are the effects of Master Netting Agreements (MNA) and On-Balance Sheet Netting (OBSN) recognised in the exposure value ⁵ ?	CRR Art. 166(2)-(3)	
	Answer	<i>Legislative references</i>	

⁵ institutions should take into account all the requirements of Chapter 4 of CRR (i.e. for SA and F-IRB methods), including eligibility requirements and methods

47	In case of Funded Credit Protection different from OBSN and MNA, how is FCP (collateral) recognised in the LGD modelling/adjustments?	CRR Art. 181(1) (c)-(g)	
	Answer	<i>Legislative references</i>	

7.2.2 Unfunded Credit Protection

48	Which are the legal certainty requirements for the assessment and eligibility of guarantees and credit derivatives?	Art. 183 (1) CRR	
	Answer	<i>Legislative references</i>	
49	In the EU, institutions may recognise the effects of UFCP by adjusting by adjusting PD or LGD estimates in accordance with Article 183 (2) and (3) of the CRR and under the constraint that the resulting adjusted risk weight should not be lower than the risk weight that the institution would assign to a comparable, direct exposure to the guarantor. How is UFCP recognised in the LGD and PD estimates in your jurisdiction?	CRR Art. 160(5), 163(4), 161(3), 164(2) and 183 (2-3)	
	Answer	<i>Legislative references</i>	
50	In the EU, institutions may recognise the effects of UFCP in accordance with Articles 153(3) of the CRR, the so-called “double default (DD)” formula. Can you please provide detail of the application of the double default formula I and the conditions for its application in your jurisdiction?	CRR Art. 153(3) and 154(2)	284 Basel II
	Answer	<i>Legislative references</i>	

8. Securitisation

General Principles

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

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

The CRR employs the concept of “significant risk transfer”: it allows the originator of a securitisation transaction to exclude the securitised exposures from the calculation of its risk-weighted exposure amounts, while risk weighting any retained position in the securitisation transaction,⁶ provided that the capital relief is justified by a significant transfer of risk (SRT) associated with the securitised exposures to third parties, i.e. provided that the transaction achieves regulatory SRT. The overarching principle for the concept of SRT is that any reduction in own funds requirements must be matched by a transfer of risk that is significant and commensurate. The main focus of the supervisory assessments by the competent authorities is therefore to ensure that significant and commensurate risk transfer effectively occurs, so as to justify the capital relief achieved by the originator, not only according to the conditions set out in legislation, but also as regards the economic substance of each specific transaction.

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

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

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

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

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

⁶ In other words, it allows the originator of a securitisation transaction to use securitisation framework for calculation of capital on retained tranches, instead of using credit risk framework for calculation of capital on all underlying exposures,

BCBS references

Basel Committee on Banking Supervision, *Revisions to the securitisation framework*, 11 December 2014 (revised July 2016) – Henceforth: Basel REV

<https://www.bis.org/bcbs/publ/d374.htm>

8.1 Definitions

	QUESTION	Art. CRR/CRD	Basel ref.
1	<p>Is there an active securitisation market in your jurisdiction?</p> <p>If yes, please provide some information about the size and type of the market (synthetic, traditional, term, ABCP, types of asset classes securitised).</p> <p>If the market is not relevant, do you nevertheless have a regulation in place for it?</p>		
	Answer	<i>Legislative references</i>	
2	<p>Have you established specific rules for simple, transparent and standardised (STS) /simple, transparent and comparable (STC) securitisations in line with EU rules or Basel III?</p>	Sec and CRR	Reg Am Basel REV
	Answer	<i>Legislative references</i>	
3	<p>How is the following terminology defined in your law:</p> <ul style="list-style-type: none"> - Securitisation (please note that in the EU the definition of securitisation is based on the concept of "tranching" rather than the issuance of securities and payments to investors) - Tranche (including first loss tranche, mezzanine tranche) - Traditional securitisation - Synthetic securitisation - Re-securitisation - Asset-backed commercial-paper programme (ABCP programme) 	CRR Art. 4, Sec Reg Art. 2(1), 2(4), 2 (6) 2(9), 2(10), 2(13) and 2(18)	Basel REV p. 2,3,5 Basel REV p 2 and 3 Basel REV p.8

	<ul style="list-style-type: none"> - Asset-backed commercial paper transaction (ABCP transaction) - 'revolving securitisation' - Tranche - Securitisation position 	Art 2(7), 2(8)	
	Answer	<i>Legislative references</i>	
4	<p>Are the following definitions set in your law? If yes, please provide details</p> <ul style="list-style-type: none"> - Securitisation special purpose entity (SSPE) - Originator - Sponsor - Original lender - Investor and/or institutional investor - Servicer 	Sec Reg Art. 2(2), 2(3), 2(5), 2(11), 2(12), 2(13), 2(20)	Basel REV p.21, 7
	Answer	<i>Legislative references</i>	
<p>In the EU we have established certain operational requirements and special capital treatment for securitisation containing the following features (see below). Please provide information about how these structural features are implemented in your jurisdiction.</p>			
5	<p>How is the '<u>liquidity facility</u>' defined in your law?</p> <p>Do you have a special capital treatment for liquidity facilities?</p>	Sec Reg Art. 2(14)	
	Answer	<i>Legislative references</i>	
6	How is 'early amortization' defined in your law?	Sec Reg Art 2(17)	Basel REV p.12
	Answer	<i>Legislative references</i>	

7	<p>How is '<u>credit enhancement</u>' defined in your law? Does the CA in your jurisdiction check in case there is an implicit enhancement? If yes and there is implicit credit enhancement, do you require higher capital for that?</p> <p>Is the '<u>excess spread</u>' considered a credit enhancement? How is 'excess spread' defined in your law?</p>	<p>CRR Art 3 (65)</p> <p>CRR Art. 242(1)</p>	<p>Basel REV p.10</p> <p>Basel REV p.13</p>
	Answer	<i>Legislative references</i>	
8	Please give the definition of ' <u>clean-up call</u> options'	<p>CRR Art 1(9)</p> <p>CRR Art 242(1)</p>	Basel REV p.9
	Answer	<i>Legislative references</i>	

8.2 Due diligence and transparency requirements

9	Do you have any restrictions for selling securitisation positions, especially when selling to retail clients?	Sec Reg Art 3	
	Answer	<i>Legislative references</i>	
10	Before investing in a securitisation, investors will be required to check that the credit-granting, risk retention and transparency requirements have been complied with and to carry out a due diligence assessment of the risks and structural features of the securitisation. What information needs to be disclosed to investors? Are there any due diligence requirements for institutional investors? If yes, please provide details	Sec Reg Art 5	
	Answer	<i>Legislative references</i>	
11	What are the transparency requirements for originators, sponsors and SSPEs on securitisation? Is there any difference	Sec Reg Art 7	

	in transparency requirements for private and public securitisations?		
	Answer	<i>Legislative references</i>	
12	Does your jurisdiction have any rules for risk retention (i.e. “skin in the game”)?	Sec Reg Art 6	
	Answer	<i>Legislative references</i>	
13	Are there any measures/sanctions in place in case the originator fails to meet transparency or any other e.g. (due diligence) requirement?	Sec Reg Art 32-34	
	Answer	<i>Legislative references</i>	

8.3 Simple, Transparent and Standardised (STS) securitisation

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

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

8.3.1 STS non-ABCP securitisation

15	In case your jurisdiction has implemented Basel STC (you answered ‘yes’ to Question 1), what are the requirements for ‘simplicity’ for traditional securitisation?	Sec Reg Art 20	
	Answer	<i>Legislative references</i>	
16	What are the requirements relating to ‘standardisation’ for traditional securitisation?	Sec Reg Art 21	
	Answer	<i>Legislative references</i>	

17	What are the requirements (for originators and sponsors) relating to 'transparency' for traditional securitisation?	Sec Reg Art 22	
	Answer	<i>Legislative references</i>	
18	In case your jurisdiction has implemented Basel STC (you answered 'yes' to Question 1), what are the additional credit-risk related requirements for a securitisation transactions being eligible for the STC treatment (differentiated capital treatment) in an ABCP programme? Are 'fully supported ABCP programme' defined in your law? If yes, how?	CRR Art 243(1)	Annex II and p.111- 112 of Basel REV
	Answer	<i>Legislative references</i>	

8.3.2 STS ABCP securitisation

19	Can an ABCP transaction be considered STS? If yes, What are the transaction level requirements?	Sec Reg Art 24	Basel REV
	Answer	<i>Legislative references</i>	
20	Can an ABCP programme be considered STS? If yes, what are the main programme-level requirements?	Sec Reg Art 26	
	Answer	<i>Legislative references</i>	
21	Who can be a sponsor of the ABCP programme and what conditions does it have to meet before becoming a sponsor?	Sec Reg Art 25	
	Answer	<i>Legislative references</i>	
22	In case your jurisdiction has implemented Basel STC (you answered 'yes' to Question 1), what are the additional credit-risk related requirements for a securitisation transactions being eligible for the STC treatment (differentiated capital treatment) in a non-ABCP programme?	CRR Art 243(2)	
	Answer	<i>Legislative references</i>	

8.4 Credit risk transfer

23	In the EU where the originator has not transferred significant credit risk, it may not calculate risk-weighted exposure amounts for any position it may have in the securitisation. How is the recognition of significant risk transfer (SRT) granted in your jurisdiction (based on economic substance or legal form)?	Am CRR Art 109 (Art 247.2 CRR)	Para. 786 Basel II
	Answer	<i>Legislative references</i>	
24	What are the conditions that the originator institution of a <u>traditional</u> securitisation need to meet in order to achieve significant risk transfer i.e. to be able to exclude underlying exposures from the calculation of a risk-weighted exposure? What tests does the securitisation transaction need to meet (e.g. quantitative tests, permission from the CA, commensurate test)	Am CRR Art 244(1)- (4)	
	Answer	<i>Legislative references</i>	
25	Are there any conditions that the originator institution of a <u>synthetic</u> securitisation need to meet in order to achieve significant risk transfer i.e. to be able to exclude underlying exposures from the calculation of a risk-weighted exposure? What tests does the securitisation transaction need to meet (e.g. quantitative tests, permission from the CA, commensurate test)	Am CRR Art 245 (1)-(4)	
	Answer	<i>Legislative references</i>	
26	Where the securitisation includes revolving exposures and early amortisation provisions, the EU legislation considers that significant credit risk is transferred by the originator institution where the early amortisation provision fulfils certain operational requirements. Do you have any operational requirements for early amortisation provisions? If yes, what are the conditions?	Am CRR Art 246	
	Answer	<i>Legislative references</i>	

8.5 Prudential treatment of securitisation exposures

27	How is the exposure value of a securitisation position calculated?	Am CRR Art. 248	
	Answer	<i>Legislative references</i>	
28	Is there any recognition of CRM for securitisation positions? If yes, what are the conditions for it?	Am CRR Art. 249	Basel REV par. 99-105
	Answer	<i>Legislative references</i>	
29	An originator should not provide support, directly or indirectly, to the securitisation beyond its contractual obligations with a view to reduce potential or actual losses to investors. Have you established any conditions that determine the existence of implicit support?	Am CRR Art. 250	Basel REV par 98
	Answer	<i>Legislative references</i>	
30	What is the treatment of maturity mismatches in synthetic securitisations?	Am CRR Art. 252	Basel REV 106-108
	Answer	<i>Legislative references</i>	
31	Under European legislation, banks decide between deduction from CET1 or applying 1250% RW on securitisation positions. Is there any possibility to deduct the exposure value of securitisation position from CET1 in case of securitisation positions under your legislation?	Am CRR Art. 253	
	Answer	<i>Legislative references</i>	
32	What approaches (SEC-IRBA, SEC-SA, SEC-ERBA) can be used to calculate capital requirements? If more than one, is there any hierarchy between the approaches?	Am CRR Art. 254	Basel REV

	Answer	<i>Legislative references</i>	
33	Where an institution uses SEC-IRBA , how is K_{IRB} calculated? What are the conditions for its use? How are the risk-weighted exposure amounts calculated?	Am CRR Art. 255(1)-(5) Art. 258 Art. 259	Basel REV Par 48, 62-63
	Answer	<i>Legislative references</i>	
34	Where an institution uses SEC-SA , how is K_{SA} calculated? How are the risk-weighted exposure amounts calculated?	Am CRR Art 255 (6) Art 261	Basel REV par. 78-87
	Answer	<i>Legislative references</i>	
35	How are the attachment point A and detachment point D determined?	Am CRR Art 256	Basel REV Par. 53-55
	Answer	<i>Legislative references</i>	
36	How do you determine the tranche maturity?	Am CRR Art 257	
	Answer	<i>Legislative references</i>	
37	In case SEC-ERBA is implemented in your jurisdiction, how are the risk-weighted exposure amounts calculated? Please differentiate between short term and long-term credit assessments.	Am CRR Art 263	Basel REV par. 65-70
	Answer	<i>Legislative references</i>	
38	Have you implemented a special treatment for STS securitisation? If yes, please describe the main differences under SEC-IRBA, SEC-SA and SEC-ERBA.	Am CRR Art 260, 262 and 264	Basel REV par. 109-118

	Answer	<i>Legislative references</i>	
39	Is the Internal Assessment Approach allowed under your legislation? What is the scope and operational requirements for Internal Assessment Approach? How are the risk-weighted exposure amounts calculated?	Am CRR Art 265, 266	Basel REV par. 74-77
	Answer	<i>Legislative references</i>	
40	Are there any “caps” (maximum risk weights) for securitisation positions? If yes, which are they? Are there any specific conditions that need to be met?	Am CRR Art 267, 268	Basel REV par. 88-93
	Answer	<i>Legislative references</i>	
41	Is re-securitisation allowed in your jurisdiction? If yes, is there a different treatment of re-securitisation positions? If yes, please name the applicable risk weights and conditions/requirements. Do you impose any penalties?	Am CRR Art 269	Basel REV par 94-97
	Answer	<i>Legislative references</i>	
42	Are there any “floors” (minimum risk weights) for securitisation positions? If yes, which are they?		
	Answer	<i>Legislative references</i>	
43	The European legislation establishes that originators may apply a preferential treatment in “senior positions in SME securitisations”. Do you allow any special for retained positions by originator in securitisation of SME portfolios? If yes what are the conditions?	Am CRR Art 270	
	Answer	<i>Legislative references</i>	
44	Can the CA set additional risk weights in case an institution does not meet some of the requirements? If yes, please name them.	Am CRR Art 270a	
	Answer	<i>Legislative references</i>	

45	What are the requirements for the use of assessments by ECAIs?	Am CRR Art 270b- 270e	Basel REV par. 71
	Answer	<i>Legislative references</i>	
46	How are own funds requirements calculated for instruments that are securitisation positions in a trading book?	Am CRR Art 337	
	Answer	<i>Legislative references</i>	

8.6 Structural features of securitisation transactions

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

9. Operational Risk

General Principles

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

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

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

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

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

	Question	CRR Art.	Basel Par.
1	What is the definition of operational risk in your jurisdiction? Does it include legal risk and model risk? Is conduct risk covered by legal risk? Does operational risk exclude reputational/ strategic/ business risk?	CRR Art 4(52), CRD Art 85(1)	Basel II 644
	Answer	Legislative references	

2	What is the approximate share of Op.risk in total capital requirements in your jurisdiction? Please split it by the used approach (as referred below in Q3, Q7 and Q14).		
	Answer	<i>Legislative references</i>	
3	Has Basic Indicator Approach (BIA) been implemented in your jurisdiction? Please list major divergences from Basel standards (if any).	CRR Art 315-316	Basel II 649-651
	Answer	<i>Legislative references</i>	
4	Are the own funds calculated under the BIA in the following manner? <ul style="list-style-type: none"> The “average relevant indicator” (in Basel: ‘gross income’) is calculated as the sum of the positive relevant indicators of the three previous years divided by the number of years with positive relevant indicator during the past three years; Capital charge is 15% of “average relevant indicator” 	CRR Art 315 (1) and (4)	Basel II 649
	Answer	<i>Legislative references</i>	
5	Is there any possibility to amend the calculations in exceptional circumstances? If yes, what are the conditions? (For example: due to mergers and acquisitions.)	CRR Art 315 (2) and (3)	
	Answer	<i>Legislative references</i>	
6	What are the items of the relevant indicator? Which corrections of the indicator are possible (e.g. exclude some expenses etc)? Please indicate also the accounting principles.	CRR Art 316 (1)	Basel II 650
	Answer	<i>Legislative references</i>	
7	Has Standardised Approach (SA) been implemented in your jurisdiction? Please list major divergences from Basel Standards (if any).	CRR Art 317-318	Basel II 652-654

	Answer	<i>Legislative references</i>	
8	<p>Are own funds calculated according to SA as follows:</p> <ul style="list-style-type: none"> • The relevant indicator of a year is distributed according to the Basel Business lines and multiplied with the corresponding beta factor (“business line capital charge”); • In any given year, the offsetting between negative “business line capital charges” and positive “business line capital charges” is allowed; • the “annual capital charge” is the maximum of the sum of “business line capital charges” of a year <u>or</u> zero; • The final OpRisk capital charge is the average of the “annual capital charges” of the previous three years? 	CRR Art 317 (2) and (3)	Basel II 652-654
	Answer	<i>Legislative references</i>	
9	<p>Are the business lines and corresponding beta factors under SA approach in your jurisdiction different from the Basel business lines? Are there any differences in the principles of business line mapping from the Basel Framework?</p>	CRR Art 317 Table 2, CRR Art 318	Basel II 654, 662, Annex 8
	Answer	<i>Legislative references</i>	
10	<p>What are the qualifying criteria for using SA? Do they comprise of the following:</p> <ul style="list-style-type: none"> • Bank shall have in place an assessment and management system for operational risk (track relevant loss data, able to identify OpRisk exposure); • System shall be closely integrated into the risk management process (output shall be integral part of the process); • System of Reporting to senior management that reports to relevant functions within the institution? 	CRR Art 320	Basel II 660, 661, 663
	Answer	<i>Legislative references</i>	

11	Has Alternative Standardised Approach (Alternative SA) been implemented in your jurisdiction?	CRR Art 319	Basel II fnote 104
	Answer	<i>Legislative references</i>	
12	What are the conditions for using Alternative SA?	CRR Art 319 (2)	Basel II fnote 104
	Answer	<i>Legislative references</i>	
13	How is ASA different from SA (if applicable)? (f.ex. a different normalised income multiplier on the nominal amount of loans and advances than 3.5%)	CRR Art 319	Basel II footnote 104
	Answer	<i>Legislative references</i>	
14	Has Advanced Measurement Approaches (AMA) been implemented in your jurisdiction? Please list major divergences from Basel Standards (if any).	CRR Art 312(2)-(3)	Basel II 655-659
	Answer	<i>Legislative references</i>	
15	<p>What are the qualitative standards for the use of AMA? Does it comprise of the following:</p> <ul style="list-style-type: none"> • Measurement system is closely integrated into its day-to-day risk management process; • Existence of independent risk management function; • Regular reporting and procedures for appropriate corrective action; • Routines for ensuring compliance and policies for the treatment of non-compliance; • Regular reviews by internal or external auditors; • Sound and effective internal validation process; • Transparent and accessible data flows and processes? 	CRR Art 321	Basel II 664-666
	Answer	<i>Legislative references</i>	

16	<p>What are the quantitative standards for the use of AMA? Does it comprise of the following:</p> <ul style="list-style-type: none"> • Potential severe tail events captured by adequate distribution functions achieving a sound standard of a 99.9% confidence interval over a one year period (comprising of expected and unexpected loss); • Expected loss can be deducted in case it is adequately captured by internal business practices; • Use of all four data elements without exemptions (“internal data”, “external data”, “scenario analysis” and “business environment and internal control factors”); • Recognition of correlations where the correlation measurement system is sound; • Internally consistent measurement system; • Internal data: <ul style="list-style-type: none"> ○ Minimum historical observation period of 5 years; ○ Comprehensive internal loss data with an appropriate minimum loss threshold; ○ Credit risk related operational risk losses are collected only for management purposes; ○ Market risk related operational risk losses are collected for management and capital purposes? 	CRR Art 322	Basel II 667-676
	Answer	<i>Legislative references</i>	
17	Are the institutions allowed to recognise the impact of insurance and/or other risk transfer mechanisms under AMA?	CRR Art 323(1)	Basel II 677-679
	Answer	<i>Legislative references</i>	
18	If the institutions are allowed to recognise the impact of insurance and/or other risk transfer mechanisms, what are the conditions that the insurance mechanism needs to meet?	CRR Art 323(3)	
	Answer	<i>Legislative references</i>	

19	Are there any discounts or haircuts applied in the amount of insurance recognition?	CRR Art 323(4)-(5)	
	Answer	<i>Legislative references</i>	
20	Are loss events classified under AMA different from the Basel event types?	CRR Art 324, Table 3	
	Answer	<i>Legislative references</i>	
21	Can an institution revert back to a simpler/less sophisticated approaches? If yes, what are the conditions?	CRR Art 313	
	Answer	<i>Legislative references</i>	
22	Does you allow for a combined use of different approaches? If yes, what are the requirements for combined use?	CRR Art 314	Basel II 680-683
	Answer	<i>Legislative references</i>	
23	Are there any additional qualitative criteria for operational risk management to fulfil, i.e. in Basel Principles for Sound Management for Operational Risk (PSMOR) ⁷ ?		Basel II 651
	Answer	<i>Legislative references</i>	
24	Is Op.risk addressed under Pillar II? If yes, what is the practice in general (e.g. reports by banks, supervisory checks etc) ⁸ ?		Basel II fnote 98
	Answer	<i>Legislative references</i>	
25	Are there any additional reporting requirements which could be used for the supervisory judgement (e.g. regular loss reporting) ⁹ ?		
	Answer	<i>Legislative references</i>	

⁷ In EU covered by different guidelines – e.g. Guidelines on internal governance

⁸ In EU covered by different guidelines/measures, e.g. SREP guidelines

⁹ CRR Art 99 (5) specified by COMMISSION IMPLEMENTING REGULATION (EU) No 680/2014 (see Article 5 of this ITS)

10. Market Risk

10.1 Trading book

	Questions	CRR	Basel
1	What is the definition of trading book in your jurisdiction?	CRR Art. 4(86), 102	Basel II Par. 685
	Answer	<i>Legislative references</i>	
2	How are the 'positions held with trading intent' defined in your jurisdiction?	CRR Art 4(85)	Basel II Par. 687
	Answer	<i>Legislative references</i>	
3	Do you have any waivers/thresholds for the treatment of trading book? If yes, which ones?	CRR Art 94	
	Answer	<i>Legislative references</i>	
4	What are the requirements for positions to be included in the trading book in your jurisdiction?	CRR Art. 103-104	
	Answer	<i>Legislative references</i>	
5	Do you have any requirements for prudent valuation for the positions in the trading book? If yes, please name the requirements and/or principles.	CRR Art 105, COM DR 2016/101	Basel II 690-701
	Answer	<i>Legislative references</i>	
6	What is the definition of the correlation trading portfolio in your jurisdiction?	CRR Art 338	Basel 2.5 Par. 15 (Basel II 689(iv))
	Answer	<i>Legislative references</i>	

10.2 Methods measuring market risks

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

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

7	Is offsetting of positions between institutions belonging to the same group for the purposes of calculating consolidated capital requirements allowed in your jurisdiction (Y/N)? If yes, please name any conditions that you have for offsetting.	CRR Art 325	
	Answer	<i>Legislative references</i>	
8	Does your jurisdiction allow for standardised measurement method (SM) as set out in Basel Standards for the calculations of capital requirements of market risk (building block approach that includes addressing specific risk and general risk for debt instruments and equities and also foreign exchange risk, commodities risk and risk of options)? Please list any major divergences.	CRR Art 92(3) (b) and (c) and 92(4) CRR Art 334-361	
	Answer	<i>Legislative references</i>	
9	Does your jurisdiction allow for the application of internal model approach (IMA) ? Please list any major divergences from Basel Standards (Basel 2.5).	CRR Art 362, 363	
	Answer	<i>Legislative references</i>	

10	Can an institution revert to a less sophisticated approach than the standardised approach or the internal models approach (i.e. a simplified approach not envisaged in the Basel standards)? If yes, what are the conditions for the usage of such simplified approach?		
	Answer	<i>Legislative references</i>	

10.2.1 Standardised Method

a. Interest rate risk

Specific risk			
11	How is the capital charge for the specific risk for <u>non-securitisation debt instruments</u> calculated? Please list any divergences from Basel Standards.	CRR Art 336 (incl table 1)	Basel II par. 709(iii), 710, 710(i)
	Answer	<i>Legislative references</i>	
12	Are there any specific conditions for the instruments issued by a government that would receive 0% or 20% under Standardised Approach for credit risk?		
	Answer	<i>Legislative references</i>	
13	How are the own funds requirements for the specific risk for <u>securitisation debt instruments</u> in the trading book calculated? Are the risk weights aligned with the treatment in the banking book?	CRR Art 337	
	Answer	<i>Legislative references</i>	
14	What positions can be included in the correlation trading portfolio?	CRR Art 338(1),(3)	Basel 2.5 p.15
	Answer	<i>Legislative references</i>	

15	Are there any positions that cannot be included in the correlation trading portfolio?	CRR Art 338(2)	Basel 2.5 p.15
	Answer	<i>Legislative references</i>	
16	How are the own funds requirements for the correlation trading portfolio calculated?	CRR Art 338(4)	Basel 2.5 p.16
	Answer	<i>Legislative references</i>	
17	How are the capital requirements calculated for positions hedged by credit derivatives?	CRR Art 346	
	Answer	<i>Legislative references</i>	
18	Are there own funds requirements for collective investment undertakings (CIUs)? If yes, what risk weights are applied?	CRR Art 348	
	Answer	<i>Legislative references</i>	
19	<p>In case there are OF requirements for CIUs, and the institution is aware of the underlying investments, can the own funds requirements for position risk (specific and general risk) be calculated by any of the following ways:</p> <p>a) The positions in CIUs are allowed to be treated as positions in underlying investments of the CIU, i.e. 'look through' approach?</p> <p>b) The positions in CIUs can be assumed to replicate the composition and performance of an external index or fixed basket of equities or debt securities in case the purpose of the CIU is to replicate the index or fixed basket of equities or debt securities?</p> <p>In case any of the methods above are allowed, are there any conditions that the CIU needs to meet, for example:</p> <p>a) CIU's prospectus (or equivalent) needs to include:</p> <p>i. the categories of assets the CIU is allowed to invest in,</p> <p>ii. where investment limits apply, relative limits and methodologies to calculate them,</p>	CRR Art 349, 350	

	<p>iii. where leverage is allowed, the maximum level of leverage,</p> <p>iv. a policy to limit counterparty credit risk where concluding OTC derivatives transactions or securities borrowing or lending is allowed,</p> <p>b) the business of the CIU shall be reported in half-yearly and annual reports in order to assess assets, liabilities, income and operations over reporting period,</p> <p>c) the shares or units of the CIU are redeemable in cash, out of the undertaking's assets, on a daily basis at the request of the unit holder,</p> <p>d) investments in the SIU are segregated from the assets of the CIU manager,</p> <p>e) Investing institution has adequate risk assessment of the CIU,</p> <p>f) CIUs are managed by persons who are supervised in accordance with the applicable law to undertakings for collective investment in transferable securities (UCITS) or equivalent.</p>		
	Answer	<i>Legislative references</i>	
General market risk			
20	Are both principal methods, i.e. the maturity-based method and duration-based method allowed in your jurisdiction?	CRR Art 339, 340	
	Answer	<i>Legislative references</i>	
Maturity method			
21	Are the time-bands and weights the same as in Table 2 of Art 339? If not, please list any divergences.	CRR Art 339	Basel II Par. 718iv
	Answer	<i>Legislative references</i>	
22	Are the factors of horizontal disallowance the same as in CRR Art 339(7)?	CRR Art 339(7)	Basel II Par. 718vi

	Answer	<i>Legislative references</i>	
Duration method			
23	Is the duration method applied the same way as set out in Basel, including the time bands and assumed changes in yield? Please list any divergences.	CRR Art 340	Basel II Par. 718vi
	Answer	<i>Legislative references</i>	
24	Are capital charges for derivatives calculated and treated in the same manner as set out in the CRR: <ul style="list-style-type: none"> - Netting - Interest rate futures and forwards - Options and warrants - Swaps - Interest rate risk on derivative instruments - Credit derivatives 	CRR Art. 327-332	
	Answer	<i>Legislative references</i>	

b. Equity position risk

25	How are the equity positions treated for the purposes of capital requirements (net-long, net-short positions, different national markets etc)?	CRR Art 341-342	Basel II Par. 718xix-718xx
	Answer	<i>Legislative references</i>	
26	What is the risk weight for specific risk?	CRR Art 342	Basel II Par. 718xxi
	Answer	<i>Legislative references</i>	

27	What is the risk weight for general market risk?	CRR 343	Art	Basel II Par. 718xxi
	Answer	<i>Legislative references</i>		
28	Is there a specific treatment for stock indices? If yes, please describe the treatment?	CRR 344	Art	
	Answer	<i>Legislative references</i>		
29	Do you have specific treatment for underwriting?	CRR 345	Art	
	Answer	<i>Legislative references</i>		

c. Foreign exchange risk

30	How is the capital charge for foreign exchange (FX) risk calculated in your jurisdiction (net open position in a currency)?	CRR 352	Art	Para. 718xxx. 718xLii Basel II
	Answer	<i>Legislative references</i>		
31	Do you have any <i>de minimis</i> threshold below which there is no capital charge for FX risk? If yes, please name the threshold and any other specificities regarding this.	CRR 351	Art	None
	Answer	<i>Legislative references</i>		
32	Is there a specific treatment for structural FX?	CRR 352(2)	Art	Para. 718xxx. 718xLii Basel II
	Answer	<i>Legislative references</i>		

33	Do you have any requirements or separate treatment regarding closely correlated currencies? If yes, please describe the main features.	CRR Art 354	Para. 718xxx- 718xLii Basel II
Answer		<i>Legislative references</i>	

d. Commodities risk

34	Which methods (maturity ladder approach, simplified approach etc) can be used in your jurisdiction to measure commodities risk?	CRR Art 359-360	
Answer		<i>Legislative references</i>	
35	Is there any threshold, for example <i>de minimis</i> or are there certain positions, where the capital charge is not applied? Please list all that apply.		
Answer		<i>Legislative references</i>	
36	If applicable, is maturity ladder approach applied in the same manner as set out in CRR Art 359? Please name any divergences.	CRR Art 359	Basel II Par. 718XLIX- 718LIII
Answer		<i>Legislative references</i>	
37	If applicable, is simplified approach applied in the same manner as set out in CRR Art 360? Please name any divergences.	CRR Art 360	Basel II Par. 718LIV- 718LV
Answer		<i>Legislative references</i>	
38	Is there any other method used in your jurisdiction? If yes, please describe it briefly.		
Answer		<i>Legislative references</i>	

e. Risk of options

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

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

39	Which of these three methods can be used for the market risk charge for options in your jurisdiction?		
	Answer	<i>Legislative references</i>	
40	If applicable, is the simplified approach applied in the same manner as set out in Basel 718(LVIII)? Please name any divergences.	COM DR 528/2014	Basel II Par. 718(LVIII)
	Answer	<i>Legislative references</i>	
41	If applicable, is the delta-plus method applied in the same manner as set out in Basel 718LIX)? Please name any divergences.	COM DR 528/2014	Basel II Par. 718(LIX)
	Answer	<i>Legislative references</i>	
42	If applicable, is the scenario approach applied in the same manner as set out in Basel 718LXIII)? Please name any divergences.	COM DR 528/2014	Basel II Par. 718 (LXIII)
	Answer	<i>Legislative references</i>	

10.2.2 Internal models approach

43	If internal models are allowed in your jurisdictions, what are the general criteria to grant a permission to use IMA in a bank? Is there a requirement that in order for the position to be included in the IMA model, it needs to cover a significant share of the positions?	CRR Art 363	Basel II Par. 718 (LXX-LXXiii)
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	Answer	<i>Legislative references</i>	
44	<p>What are the qualitative standards that the bank needs to have in place to obtain an authorisation to use IMA, for example:</p> <ul style="list-style-type: none"> i) Internal model needs to be closely integrated into daily risk management process, ii) Requirement to have risk control unit that is independent from trading units and reports directly to the management, iii) Institution's management body and senior management are actively involved in the risk-control process and daily reports produced by the risk control unit are reviewed by the level of management with sufficient authority to enforce reductions of positions, iv) Sufficient number of skilled staff in the use of sophisticated internal models, trading, risk control, audit and back-office areas, v) Established procedures for monitoring and ensuring compliance with documented set of internal policies and controls concerning the overall operation of its internal models, vi) Frequent rigorous stress testing programme conducted, including reverse stress tests. 	CRR 368	Art Basel II Par. 718(LXXiV)
	Answer	<i>Legislative references</i>	
45	How are own funds requirements calculated when using an internal model approach (i.e. the inclusion of different components, such as VaR, stressed VaR, incremental risk charge IRC, correlation trading and standardised method)?	CRR 364	Art Basel II Par. 718
	Answer	<i>Legislative references</i>	
46	What are the requirements and parameters for the calculation of value-at-risk (VaR)?	CRR 365	Art
	Answer	<i>Legislative references</i>	

47	Does your jurisdiction have a requirement to calculate Stressed VaR? If yes, what are the requirements/parameters?	CRR Art 365 (2)	
	Answer	<i>Legislative references</i>	
48	What are the requirements for back-testing and which multiplication factors are used?	CRR Art 366, table 1	Table 2, Annex of Basel 2.5
	Answer	<i>Legislative references</i>	
49	What are the requirements on risk measurement that the institution's internal models needs to have?	CRR Art 367	
	Answer	<i>Legislative references</i>	
50	In case there are requirements for stress testing what are they?	CRR Art 368(9)	
51	What are the requirements for internal validation of the model?	CRR Art 369	
	Answer	<i>Legislative references</i>	
52	Are there any additional requirements for the modelling of specific risk in internal model?	CRR Art 370	
	Answer	<i>Legislative references</i>	
53	Does your jurisdiction require for an Incremental Risk Charge (IRC) for institutions that use IMA? If yes, what is the scope of IRC?	CRR Art 372, 373	Para. 145 Basel III
	Answer	<i>Legislative references</i>	
54	What are the requirements for the internal IRC model?	CRR Art 374-376	Para. 145 Basel III
	Answer	<i>Legislative references</i>	

55	What are the requirements for correlation trading?	CRR Art 377	
	Answer	<i>Legislative references</i>	

10.3 Settlement risk

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

1	Which transactions are included in the calculations of settlement risk: i) Debt instruments, ii) Equities, iii) Foreign currencies, iv) Commodities v) Unsettled repurchase transactions?	CRR Art 378	
	Answer		
2	How are the capital requirements for the settlement risk calculated? Please include the multiplication factors that are used.	CRR Art 378, table 1	
	Answer		
3	What is the treatment of free deliveries?	CRR Art 379, table 2	
	Answer		
4	Are there any waivers or exceptions applied for settlement risk in your jurisdiction?	CRR Art 380	
	Answer		

10.4 CVA risk

CVA (Credit Valuation Adjustment) Risk is the risk of loss caused by changes in the credit spread of a counterparty, due to changes in its credit quality. CVA aims at quantifying the risk that counterparties to derivatives transactions may be more or less creditworthy at any given time during the life of such a transaction.

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

1	Is there a capital charge for credit valuation adjustment (CVA) risk in your jurisdiction?	CRR Art 381	
	Answer		
2	<p>Please outline which transactions in your jurisdiction are in-scope of the CVA risk capital charge. In addition please clarify whether the following transactions are in the scope of CVA risk capital charge calculations:</p> <ul style="list-style-type: none"> i. OTC derivatives instruments in respect of all business activities ii. Securities financing transactions (SFTs) iii. Transactions with CCPs <p>Please also name any conditions for each instrument if applicable.</p>	CRR Art 382	
	Answer		
3	Are there transactions with specific counterparties that are excluded from the scope of CVA risk capital charge? Please list them.		
	Answer		

4	Which methods (standardised approach and advanced method IMM) can be used in your jurisdiction to measure CVA risk?	CRR Art 383-384	
	Answer		
5	Are there any other methods allowed for the calculation of CVA charge?	CRR Art 385	
	Answer		
6	Are the methods implemented as set out in Basel standards? Please list major divergences.	CRR Art 383, 384	
	Answer		

10.5 Counterparty credit risk (CCR)

Counterparty Credit Risk (CCR) is the credit risk arising between derivatives' counterparties. Since the credit crisis of 2007 onwards and the failures of large institutions, CCR has been considered by most market participants to be the key financial risk. CCR arises on products such as OTC derivatives and securities financing transactions (e.g. repo agreements) and may refer to:

- Default - CCR or Pre-settlement Risk: the risk that the counterparty to a financial contract should default before settling the transaction and not make all the payments required by the contract itself;

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

1	Which transactions are in the scope of CCR capital charge?	Art 271	Annex 4 Basel II
	Answer		
2	Which methods – Current exposure method (CEM), Standardised method (SM) and Internal Model Method (IMM) can be used in your jurisdiction to measure CCR?	CRR Art 274, 276, 283	Annex 4 (V)-(VII) Basel II

	EU framework also allows for Original Exposure Method (OEM). Do you have any other methods that can be used?		
3	Is CEM implemented as set out in Basel Standards? Please list main divergences if any.	CRR Art 274, tables 1, 2	Annex 4 (VII) Basel II
	Answer		
4	Is SM implemented as set out in Basel standards? Please list main divergences if any.	CRR Art 276	Annex 4 (VI) Basel II
	Answer		
5	Is IMM implemented as set out in Basel standards? What are the conditions for using the IMM?	CRR Art 283	Annex 4 (V) Basel II
	Answer		
6	Is the exposure value under IMM determined at the level of netting set? Please describe how is the exposure value determined.	CRR Art 284, 285	Para. 25-31 Annex 4 (V) Basel II
	Answer		
7	Are there any requirements for the management of CCR in case the institution uses IMM? If yes, what are they?	CRR Art 286-287	Annex 4 (V)-(VII) Basel II
	Answer		
8	Are there any requirements for use test for the purposes of the IMM?	CRR Art 289	Annex 4 (V)-(VII) Basel II
	Answer		
9	Do you apply requirements for stress testing across methods for CCR? If yes, what are they?	CRR Art 290	Annex 4 (V)-(VII) Basel II

	Answer		
10	Are there any requirements to address wrong-way risk across methods for CCR? If yes, Please name them.	CRR 291	Art Para. 57-58 of Annex 4 Basel II
11	What are the requirements for IMM modelling?	CRR 292	Art
	Answer		
12	Are contractual netting arrangements allowed? If yes, for what instruments? Please also name the conditions (if any).	CRR 295,296	Art Para. 98-99 Basel III
	Answer		
13	Can an institution use a combination of CCR methods? If yes, what are the main conditions?	CRR 273	Art
	Answer		
14	Are there any exemptions or any transactions where CCR can be calculated differently, i.e. using credit risk mitigation (CRM) rules under credit risk approaches?		
	Answer	<i>Legislative references</i>	
15	Which methods are available in your jurisdiction to calculate Counterparty Credit Risk exposures at default of SFTs?		
	Answer	<i>Legislative references</i>	

11. Liquidity

General principle

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

Prior to the 2007-09 financial crisis, Liquidity Risk was sometimes overlooked by institutions and regulators. However, the crisis showed that institutions were more likely to fail following a distressed liquidity situation. Therefore, the new regulatory framework requires a more prudent liquidity management. While the CRR creates a general short-term liquidity requirement and liquidity reporting obligations, the Delegated Act¹⁰ 2015/61 specifies in detail the EU Liquidity Coverage Ratio. This DA defines high quality liquid assets and the detailed outflow and inflow requirements to ensure that the liquidity position is sufficient to meet net outflows under a 30 day liquidity stress horizon.

Under the Basel III framework, the Liquidity Coverage Ratio (LCR) is defined in the document “*Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools*” (Henceforth in the table: Basel III LCR - <https://www.bis.org/publ/bcbs238.pdf>)

QUESTION	Art. CRR/CR D/DA	Basel ref.
<p>Liquidity Coverage Ratio (LCR)</p> <p><i>The CRR alludes to a liquidity coverage requirement under a 30 day stress horizon, for which it contemplates a reporting framework and a reference to a delegated regulation (LCR Delegated Act) for its specification.</i></p> <p><i>The LCR Delegated Act aims to ensure that a bank maintains an adequate level of unencumbered, High-Quality Liquid Assets (HQLA) that can be converted into cash to meet its liquidity needs for a 30 day time horizon under a significantly severe liquidity stress scenario. From 2018, such a level is required to be 100%; prior to that, a transitional period is available. High Quality Liquid Assets (HQLA) are assets that can be easily and immediately converted into cash at little or no loss of value. Liquidity needs stem from liquidity inflows and liquidity outflows, to be assessed over a 30-day period, assuming a combined idiosyncratic and market-wide stress scenario.</i></p>		
1	Do you require institutions to hold liquid assets, the sum value of which covers liquidity outflows under stressed conditions which ensures that the institution maintains adequate levels of liquidity	CRR Art. 412 DA Art. 4 Par. 16 Basel III LCR

¹⁰ <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L:2015:011:TOC>

	buffers to face any possible imbalance between liquidity inflows and outflows in periods of grave stress over a 30 day period?		
	Answer	<i>Legislative references</i>	
2	<p>How do you define a stress scenario for the purposes of the LCR ratio? e.g.:</p> <ul style="list-style-type: none"> - the run-off of a significant proportion of its retail deposits; - a partial or total loss of unsecured wholesale funding capacity, including wholesale deposits and other sources of contingent funding such as received committed or uncommitted liquidity or credit lines; - a partial or total loss of secured, short-term funding; - additional liquidity outflows as a result of a credit rating downgrade of up to three notches; - increased market volatility affecting the value of collateral or its quality or creating additional collateral needs; - unscheduled draws on liquidity and credit facilities; - potential obligation to buy-back debt or to honour non-contractual obligations. 	DA Art. 5	Par. 19 Basel III LCR
	Answer	<i>Legislative references</i>	
	High Quality Liquid Assets (HQLA)		
3	What are the general conditions that all HQLA must meet in order to be eligible for LCR purposes? e.g. regarding low risk, certainty of valuation, low correlation with risky assets, being listed in an exchange, having an active market, low volatility, or flight to quality?	DA Art. 7	Par. 24 Basel III LCR
	Answer	<i>Legislative references</i>	
4	Have you specific criteria in place that HQLA must meet in order to be considered unencumbered for LCR purposes?	DA Art. 7	Par. 31 Basel III LCR
	Answer	<i>Legislative references</i>	
5	Are asset issued by certain financial entities (e.g. credit institutions, investment firms, insurance undertakings, financial holding companies) excluded from qualifying as HQLA for LCR purposes?	DA Art. 7	
	Answer	<i>Legislative references</i>	

6	What are the operational requirements for the holding of liquid assets in your jurisdiction?	DA Art. 8	Par. 28-43 Basel III LCR
	Answer	<i>Legislative references</i>	
7	Do you distinguish different categories of HQLA? If so, how many (e.g. Level 1, Level 2, Level 2B)?	DA Art. 10-13	Par. 46-47 Basel III LCR
	Answer	<i>Legislative references</i>	
8	Do you have in place caps to the amount of assets of each category that can be included in the stock of HQLA? Please differentiate between each category of assets to which the cap applies.	DA Art. 17	Par. 51 Basel III LCR
9	What are the specific requirements, if any, that liquid assets of the highest quality (i.e. Level 1) must specifically meet?	DA Art. 10	Par. 49-50 Basel III
	Answer	<i>Legislative references</i>	
10	What are the specific requirements, if any, that other liquid assets of high quality (i.e. Level 2) must specifically meet? Please differentiate, where applicable, between Level 2A and Level 2B assets.	DA Art. 11-12	Par. 51-54 Basel III LCR
	Answer	<i>Legislative references</i>	
11	Do you have in place specific requirements for the eligibility of asset-backed securities? If so, which?	DA Art. 13	Par. 54 Basel III LCR
	Answer	<i>Legislative references</i>	
12	Do you have in place specific requirements for the eligibility of shares or units in collective investment undertakings? If so, which?	DA Art. 15	
	Answer	<i>Legislative references</i>	
	Valuation of liquid assets		
13	Do you require that the value of liquid assets to be reported is its market value less appropriate haircuts?	CRR Art. 418 DA Art. 9	
	Answer	<i>Legislative references</i>	

14	<p>What are the different haircuts, if any, that the valuation of HQLA is subject to?</p> <p>Please differentiate, where applicable, between Level 1, Level 2A and Level 2B assets.</p>	DA Art. 10-13	Par. 49-54 Basel III LCR
Answer		<i>Legislative references</i>	
Liquidity outflows			
15	<p>How do you calculate liquidity outflows for LCR purposes and what liquidity requirements are included?</p> <ul style="list-style-type: none"> - Current amount outstanding on retail deposits - Current amount of other liabilities that come due - Additional outflows - Maximum amount that can be drawn for the next 30 days - Any additional outflows identified under assessments 	DA Art. 22	Par. 69 Basel III LCR
Answer		<i>Legislative references</i>	
Outflows on retail deposits			
16	<p>What rules are in place in your jurisdiction regarding the calculation of outflows on retail deposits?</p> <p>Please differentiate between stable and other retail deposits, if applicable.</p>	DA Art. 24-25	Par. 73 - 80 Basel III LCR
Answer		<i>Legislative references</i>	
Outflows on operational deposits			
17	<p>What rules are in place in your jurisdiction regarding the calculation of outflows on operational deposits?</p>	DA Art. 27	Par. 93-104 Basel III LCR
Answer		<i>Legislative references</i>	
Outflows on other liabilities			
18	<p>What rules are in place in your jurisdiction regarding the calculation of outflows on other liabilities?</p>	DA Art. 28	Par. 107-115 Basel III LCR
Answer		<i>Legislative references</i>	

	Additional outflows		
19	What rules are in place in your jurisdiction regarding the calculation of additional outflows (e.g. collateral securing derivative and other transactions, derivatives cash outflows, loss of funding on asset-backed commercial paper, etc.?)	DA Art. 30	Par. 116-125 Basel III LCR
	Answer	<i>Legislative references</i>	
	Outflows from credit and liquidity facilities		
20	What rules are in place in your jurisdiction regarding the calculation of outflows from credit and liquidity facilities?	DA Art. 31	Par. 126-131 Basel III LCR
	Answer	<i>Legislative references</i>	
	Inflows		
21	What rules are in place in your jurisdiction regarding the calculation of inflows for LCR purposes?	DA Art. 32	Par. 142 Basel III LCR
	Answer	<i>Legislative references</i>	
22	What caps, if any, do you place on liquidity inflows?	DA Art. 33	Par. 144 Basel III LCR
	Answer	<i>Legislative references</i>	
	Stable Funding		
23	Do you have a long term funding provisions in place in your jurisdiction, such as the Net Stable Funding Ration (NSFR) If so please give an overview with regard to the provisions of this and the obligations for institutions	CRR Art. 413	Basel III NSFR
	Answer	<i>Legislative references</i>	
	Compliance with liquidity requirements		
24	What provisions do you have in place to ensure that institutions comply with both long and short term funding obligations?	CRR Art. 414	

	Please give an overview of the obligations imposed on institutions to ensure compliance?		
	Answer	<i>Legislative references</i>	
	Reporting obligation and reporting format		
25	What reporting obligations are in place in your jurisdiction for both long and short term funding? Please explain the obligations which institutions must comply with.	CRR Art. 415	
	Answer	<i>Legislative references</i>	
	Reporting on liquid assets	CRR Art. 416	
26	Do you require institutions to report on the following; <ul style="list-style-type: none"> - Cash and exposures to central banks - Other transferable assets that are of extremely high liquidity and credit quality - Transferable assets representing claims on or guaranteed by: <ul style="list-style-type: none"> - <i>central government, regional government, or a third country in the domestic currency of the central bank or regional government</i> - <i>central bank and non-central government public sector entities</i> - <i>the BIS, IMF, EU Commission, multi-lateral development banks etc.</i> - transferable assets that are of high liquidity and credit quality - standby credit facilities granted by central banks within the scope of monetary policy (i.e. not collateralised by liquid assets and excluding emergency liquidity assistance) 	CRR Art. 416 (1)	
	Answer	<i>Legislative references</i>	
27	What is <u>not</u> considered as a liquid asset in your jurisdiction? i.e. <ul style="list-style-type: none"> - assets that are issued by a credit institution unless they possess certain features - assets that are provided as collateral to the institution under reverse repo and securities financing transactions - assets that are issued by: <ul style="list-style-type: none"> - <i>an investment firm</i> - <i>an insurance undertaking</i> 	CRR Art. 416 (2)	

	<ul style="list-style-type: none"> - a financial holding company - a mixed financial holding company etc. 		
	Answer	<i>Legislative references</i>	
28	<p>Do you require institutions to report assets that fulfil the following requirements as liquid assets?</p> <ul style="list-style-type: none"> - They are unencumbered or stand available within collateral pools to be used to obtain additional funding - They are not issued by the institution itself or its parent or subsidiary institutions or another subsidiary of its parent institution or parent financial holding company - Their price is usually determined by market participants or calculated on a formula using publically available inputs - They are eligible collateral for standard liquidity operations of a central bank - They are listed on a recognised exchange or they are tradeable on active outright sale 	CRR Art. 416 (3)	
	Answer	<i>Legislative references</i>	
	Items providing stable funding		
29	Please provide an overview of the items providing stable funding in your jurisdiction?	CRR Art. 427	
	Answer	<i>Legislative references</i>	
	Reporting on items requiring stable funding		
30	Please provide an overview of how institutions are expected to report on items requiring stable funding that are reported	CRR Art. 428	
	Answer	<i>Legislative references</i>	

12. Macro-prudential framework

GENERAL PRINCIPLE

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

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

In the Basel framework, Macro-prudential framework provisions are detailed in the “Basel III” set of provisions (*Basel III: A global regulatory framework for more resilient banks and banking systems* - <https://www.bis.org/publ/bcbs189.pdf>)

	QUESTION	Art. CRR/CRD	Basel ref.
1	Which authority in your jurisdiction is responsible for financial stability and macroprudential supervision?	CRR Art. 458	32-33 (Basel III)
	Answer	<i>Legislative references</i>	
2	In case more authorities are involved, how cooperation and communication among them are ensured?	CRR Art. 458	32-33 (Basel III)
	Answer	<i>Legislative references</i>	
3	Which are the tools/instruments available for supervisors to mitigate excessive risks building up within the financial system as a whole (i.e. not related to a single institution)?	CRR Art. 458	32-33 (Basel III)
	Answer	<i>Legislative references</i>	

13. Capital Buffers

GENERAL PRINCIPLE

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

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

In the Basel framework, capital buffers provisions are detailed in the “Basel III” set of provisions (*Basel III: A global regulatory framework for more resilient banks and banking systems - <https://www.bis.org/publ/bcbs189.pdf>*)

	QUESTION	Art. CRR/CRD	Basel ref.
	Do your provisions require institutions to maintain the following capital buffers? please indicate: <ul style="list-style-type: none"> • Y/N • the quality of capital (CET1, T1, T2) • the respective value, in % of RWAs • The authority that sets the buffers • The criteria used to set the buffers 	CRD Art. 128	
1	Capital Conservation Buffer	CRD Art. 129	Par. 122-135 (Basel III)
	Answer	<i>Legislative references</i>	
2	Countercyclical Capital Buffer (please provide details of the applicable rules to determine the buffer when authorities require it both at the individual and at consolidated basis)	CRD Art. 130	Par. 136-150 (Basel III)
	Answer	<i>Legislative references</i>	
3	Systemically Important Institution (SII) buffer (for Globally and Other Systemically Important banks)	CRD Art. 131	BCBS dp 255 ¹¹

¹¹ <https://www.bis.org/publ/bcbs255.pdf>

	Answer	<i>Legislative references</i>	
4	Systemic Risk Buffer	CRD Art. 133	-
	Answer	<i>Legislative references</i>	
5	In the EU framework, the Combined Buffer is defined as the sum of Capital Conservation Buffer, Countercyclical Buffer, SII-Buffer and Systemic Risk Buffer. To this extent, it is expected that an institution cannot further deplete its Combined Buffer through payments of dividends, coupons, or as the distributable items are limited to those elements not included in the CET1. In your jurisdiction, are there any limitations to distribute payments/dividends/coupons when the requirement of the combined buffer is not met?	CRD Art. 141	Par. 131-132, 147-148 (Basel III)
	Answer	<i>Legislative references</i>	
6	In the EU framework, a Capital Conservation Plan has to be submitted in case the institution breach the combined buffer threshold. Is a similar requirement included also in your jurisdiction?	CRD Art. 142	-
	Answer	<i>Legislative references</i>	
7	In the EU framework, the Combined buffer has also the function of “protecting” the Pillar 2 capital, so that the Combined Buffer is actually the first layer of capital to be impacted. Could you please clarify the stacking order of additional capital requirements within Pillar 2 capital and Combined Buffer?	EBA opinion ¹²	-
	Answer	<i>Legislative references</i>	
8	Are there are waivers / exemptions for specific categories of institutions that are thus excluded from this part of the framework?	-	-
	Answer	<i>Legislative references</i>	

¹² <https://eba.europa.eu/documents/10180/983359/EBA-Op-2015-24+Opinion+on+MDA.pdf>

14. Large Exposures framework

General Principles

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

The main reference in the Basel Framework is "*Supervisory framework for measuring and controlling large exposures*" (<https://www.bis.org/publ/bcbs283.pdf> - referred as "BCBS" in the table below, with indication of the respective paragraphs)

	QUESTION	EU Ref (Art. CRR)	BCBS Ref (parag.)
1	How do your laws and regulations define "exposures" for the matter of calculation of Large Exposures?	CRR Art. 389	
	Answer	<i>Legislative references</i>	
2	How does your legislation define a "large exposure"?	CRR Art. 392	BCBS 14
	Answer	<i>Legislative references</i>	
3	How is the exposure value computed for the calculation of large exposures	CRR Art. 390	BCBS 29-31
	Answer	<i>Legislative references</i>	
4	Article 4(71) of the CRR defines 'eligible capital' as the sum of (i) Tier 1 capital as referred to in Article 25 of the CRR and (ii) Tier 2 capital as referred to in Article 71 of the CRR that is equal to or less than one third of Tier 1 capital. Therefore, T2 capital can be accounted only for one third of T1 capital. How do your law and regulations define eligible capital?	CRR Art. 4(71)	BCBS 17
	Answer	<i>Legislative references</i>	

5	<p>The objective of the definition of ‘connected clients’ in the CRR is to identify groups of clients that should be treated as a single risk on the basis of their control relationships or economic dependency. To this extent, Art. 4(1)(39) of the CRR identifies two types of interconnection considered in the definition of connected clients:</p> <ul style="list-style-type: none"> I. the clients are directly or indirectly interconnected by a control relationship as defined in Article 4(1)(37) of the same Regulation; II. the clients are interconnected by some form of economic dependency as set out in Article 4(1)(39)(b), for instance: <ul style="list-style-type: none"> - direct economic dependencies such as supply chain links or dependence on large customers; or - a common main source of funding <p>How do your laws and regulations define a group of connected clients?</p>	CRR Art. 4(1)(39)	BCBS 19-28
	Answer	<i>Legislative references</i>	
6	Art. 395 of CRR prescribes that an institution cannot incur an exposure, after taking into account the effect of credit risk mitigation, to a client or group or connected clients that exceeds the 25% of its eligible capital. Which is the large exposure limit in your legislation?	CRR Art. 395	BCBS 16
	Answer	<i>Legislative references</i>	
7	Could you please clarify at what level the limits to large exposures are applied in your jurisdiction (i.e. individual vs. consolidated level)?	CRR Art. 6 and 11	
	Answer	<i>Legislative references</i>	
8	Are exposures on the trading book also included in the calculation of large exposures? Which is their treatment?	CRR Art. 395(5)	BCBS 44-50, 51-59 (offsetting)
	Answer	<i>Legislative references</i>	
9	Could you please clarify which are the relevant provisions in case an institution breaches the large exposure requirement in your jurisdiction?	CRR Art 396	BCBS 18
	Answer	<i>Legislative references</i>	

10	Can you please clarify whether credit mitigation techniques are eligible within the large exposure regime and which methods of calculation are used to compute the final amount?	CRR Art. 99	BCBS 36-43
	Answer	<i>Legislative references</i>	
11	How are the effects of credit risk mitigation treated for Large Exposures purposes?	CRR Art. 401	
	Answer	<i>Legislative references</i>	
12	The EU provisions envisages that some large exposures SHALL be exempted from the application of the large exposure regime, while for other exposures discretion is left to competent authorities. Can you please provide details of which exposures are automatically exempted from the large exposure regime, and the other exposures for which there is discretion to exempt (i.e. the exemption is optional)?	CRR Art. 400(1) and 400(2)	BCBS 60-67
	Answer	<i>Legislative references</i>	
13	In the EU, while certain exposures are or may be exempted from the calculation of Large Exposures limits (see question 12 above), there are no exemptions for the reporting of large exposures, i.e. ALL the exposures qualifying as “Large Exposures” shall be reported to competent authorities. Does your jurisdiction envisage any exemption for the reporting of certain categories of Large Exposures?	CRR Art. 394	
	Answer	<i>Legislative references</i>	
14	How are exposures arising from mortgage lending treated under the large exposure regime in your legislation? Is there a difference in this respect between residential and commercial mortgages?	CRR Art. 402	
	Answer	<i>Legislative references</i>	
15	Article 394 of the CRR sets out detailed reporting requirements of large exposures, in particular: a) the identification of the client or the group of connected clients to which an institution has a large exposure; b) the exposure value before taking into account the effect of the credit risk mitigation, when applicable; c) where used, the type of funded or unfunded credit protection; d) the exposure value after taking into account the effect of the credit risk mitigation	CRR Art. 394	BCBS 15

	Is there a similar reporting framework in your national legislation on large exposures? What type of information is included in that reporting framework?		
	Answer	<i>Legislative references</i>	
16	<p>Art. 394 CRR states that any institution shall report detailed information, in relation to its 10 largest exposures on a consolidated basis to institutions as well as its 10 largest exposures on a consolidated basis to unregulated financial entities.</p> <p>Is there a reporting obligation with respect to the most significant exposures?</p>	CRR Art. 394	BCBS 15
	Answer	<i>Legislative references</i>	

15. Leverage Ratio

GENERAL PRINCIPLE

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

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

While specific risk modelling has the benefit of more closely capturing the risk profile of each institutions, certain jurisdictions have tried to limit an excessive lowering of capital requirements that could, for example, stem from certain internal models; this has been accomplished by introducing leverage reporting, as in the EU, and/or binding minimum leverage ratios.

Within the EU, and under the CRR, the leverage ratio is currently calculated pursuant to a European Commission Delegated Act¹³.

	QUESTION	Art. CRR/CRD	Basel ref ¹⁴ .
	Leverage Ratio Requirement		
1	Is there a requirement in your jurisdiction that limits the extent to which an institution may leverage its own funds relative to its assets (i.e. fund its exposures with non-own funds)? If yes, is this requirement based on the BCBS leverage ratio? Also if yes to the first question, what is the hard limit (as a %)?		
	Answer	<i>Legislative references</i>	
	Calculation of the leverage ratio		
2	Do you have a specific methodology in place that prescribes how institutions must calculate their leverage ratio?		
	Answer	<i>Legislative references</i>	

¹³ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015R0062&from=EN>

¹⁴ <https://www.bis.org/publ/bcbs270.pdf>

3	What is the formula by which the actual ratio is calculated? For example, do you require institutions to calculate their leverage ratio by divided their own funds by its total exposure?	CRR Art. 429(2)	Basel III Lev Ratio Par. 6 Par.14
	Answer	<i>Legislative references</i>	
4	Are each of the following included in the total exposure measure: - assets unless they are deducted when determining the capital measure; - derivatives; - add-ons for counterparty credit risk; - off balance sheet items.	CRR Art. 429(4)	Basel III Lev Ratio Par.12, 13
	Answer	<i>Legislative references</i>	
5	When calculating the exposure value of assets: - what is the basis for determining the assets value; - do you permit any collateral, guarantees or purchased credit risk mitigation to reduce the exposure value; - do you permit netting; if so, please explain when it is permitted.	CRR Art. 429(5)	Basel III Lev Ratio Par. 38, 39
	Answer	<i>Legislative references</i>	
6	How are off-balance sheet items valued?	CRR Art. 429(8)	Basel III Lev Ratio Par.25, 27
	Answer	<i>Legislative references</i>	
7	Do you distinguish between the riskiness of the exposure? If so, on what basis? What categorisations are used?	CRR Art. 429(8)	Basel III Lev Ratio Section B generally
	Answer	<i>Legislative references</i>	
8	Are there any provisions for the derogation from otherwise prescribed treatments where exposures are linked to a central counterparty? If so, what are they? What assets may benefit from the derogations?	CRR Art. 429(1)(12)	Basel III Lev Ratio Section B generally

	Answer	<i>Legislative references</i>	
9	How are the exposure value of derivative contracts determined?	CRR Art. 429(a)	Basel III Lev Ratio Section C generally
	Answer	<i>Legislative references</i>	
10	Are they valued using a mark-to-market method (i.e. at replacement cost (less any cash variation margin received, subject to certain conditions and a floor of 0) plus a potential future credit exposure (PFE))?		Basel III Lev Ratio Section C generally
	Answer	<i>Legislative references</i>	
11	What is the PFE for various types of derivative (i.e. credit and non-credit)?		Basel III Lev Ratio Section C generally
	Answer	<i>Legislative references</i>	
12	Are the effects of netting and novation permitted to be recognised?		Basel III Lev Ratio Section C generally
	Answer	<i>Legislative references</i>	
13	Is there a counterparty credit risk add-on for securities financing transactions and long settlement transactions, including off balance sheet transactions, added to the exposure measure of same?		
	Answer	<i>Legislative references</i>	
14	How is it calculated? Is there an alternative method, whereby an institution may calculate the add-on by reference to the RW of the underlying instrument collateralising a portion of the exposure? Is it subject to a floor?	CRR Art. 429(b)	Basel III Lev Ratio Section C generally

	Answer	<i>Legislative references</i>	
15	Is netting permitted? Is it on a transaction or counterparty basis?		
	Answer	<i>Legislative references</i>	
16	What rules do you have in place regarding fiduciary assets?	CRR Art.429(13)	Basel III Lev Ratio Par. 52
	Answer	<i>Legislative references</i>	
	Reporting Requirements		
17	What are the reporting requirements in your jurisdiction for the leverage ratio (use of uniform reporting template? frequency of reporting? dates of reporting?)	CRR Art. 430 CRR	
	Answer	<i>Legislative references</i>	

16. Market discipline and Disclosure

General principles

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

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

In the Basel framework, Disclosure and market discipline guidelines are included in the "Basel II" set of provisions (*International Convergence of Capital Measurement and Capital Standards - <https://www.bis.org/publ/bcbs128.pdf>*)

	QUESTION	Art. CRR/CRD	Basel ref.
1	Which are the guiding principles for market disclosure in your jurisdiction? In particular, is the criteria of materiality taken into account when deciding which information should be disclosed by institutions?	CRR Art. 431-432	Par 808-817, 821-822 Basel II
	Answer	<i>Legislative references</i>	
2	What are the criteria that would warrant the exclusion of some information from the range of disclosure on the basis of proprietary and confidentiality matters?	CRR Art. 432	Par 819 Basel II
	Answer	<i>Legislative references</i>	
3	What is the frequency of disclosure?	CRR Art. 433	Par 818 Basel II
	Answer	<i>Legislative references</i>	

4	What is the scope of application of information to be disclosed?	CRR Art. 436	Par 822 (Table 1) Basel II
	Answer	<i>Legislative references</i>	
5	Which type of information shall institutions disclose in relation to their risk management and policies?	CRR Art. 435	
	Answer	<i>Legislative references</i>	
6	Which type of information shall institutions disclose in relation to their own funds?	CRR Art. 437	Par 822 (Table 2) Basel II
	Answer	<i>Legislative references</i>	
7	Which type of information shall institutions disclose in relation to their capital adequacy/capital requirements?	CRR Art. 438	Par 822 (Table 3) Basel II
	Answer	<i>Legislative references</i>	
8	Which type of information shall institutions in relation to capital buffers?	CRR Art. 440	Par. 60-64 and 103-106 Basel II
	Answer	<i>Legislative references</i>	
9	Which type of information shall institutions disclose on capital requirements for Credit Risk? Please give details on: <ul style="list-style-type: none"> • qualitative and quantitative elements of disclosure • all the credit risk adjustments 	CRR Art 438, 442	Par 825-826 (Table 4-6) Basel II
	Answer	<i>Legislative references</i>	
10	Which type of information shall institutions disclose on Credit Risk Mitigation? Please differentiate between qualitative and quantitative elements of disclosure	CRR Art. 442	Par 826 (Table 7) Basel II
	Answer	<i>Legislative references</i>	
11	Which type of information shall institutions disclose in relation to their Counterparty Credit Risk? Please differentiate between qualitative and quantitative elements of disclosure	CRR Art. 439	Par 826 (Table 8) Basel II
	Answer	<i>Legislative references</i>	

12	Which type of information shall institutions disclose on Securitisation positions? Please differentiate between qualitative and quantitative elements of disclosure	CRR Art 449	Par 826 (Table 9) Basel II
	Answer	<i>Legislative references</i>	
13	Which type of information shall institutions disclose on Market Risk? Please differentiate between disclosure for banks using the standardised approach and banks using the Internal model approach (IMA)	CRR Art. 445	Par 826 (Table 10-11) Basel II
	Answer	<i>Legislative references</i>	
14	Which type of information shall institutions disclose on Operational Risk?	CRR Art. 446	Par 826 (Table 12) Basel II
	Answer	<i>Legislative references</i>	
15	Which type of information shall institutions disclose on exposures in equities in the banking book? Please differentiate between qualitative and quantitative elements of disclosure	CRR Art. 447	Par 826 (Table 13) Basel II
	Answer	<i>Legislative references</i>	
16	Which type of information shall institutions disclose on Interest Rate Risk in the Banking Book (IRRBB)?	CRR Art. 448	Par 826 (Table 14) Basel II
	Answer	<i>Legislative references</i>	
17	Which type of information shall institutions disclose on their Remuneration policy?	CRR Art. 450	
	Answer	<i>Legislative references</i>	
18	Which type of information shall institutions disclose on their Leverage ratio?	CRR Art. 451	
	Answer	<i>Legislative references</i>	
19	In order to enhance transparency and market efficiency, in EU competent authorities are required to the text of laws, regulation and administrative rules, to allow for a meaningful comparison of approaches adopted in the field of prudential regulation and supervision. Which are the requirements for supervisory disclosure within your jurisdiction?	CRD Art.143-144	
	Answer	<i>Legislative references</i>	