

Instructions for the comprehensive quantitative impact study - EU specific data requirements

The Committee of European Banking Supervisors (CEBS) is conducting a quantitative impact study (QIS) in parallel and in cooperation with the exercise performed by the Basel Committee on Banking Supervision (BCBS).

In addition to the BCBS exercise the CEBS QIS scope also includes:

1. Additional information on liquidity.
2. Additional information on provisioning. A separate work sheet "TTC provisioning" is annexed to the Basel QIS package in order to allow for analyses of policy proposals which are scheduled to be published for consultation by the EU Commission within the next weeks.

The instructions included in this document are to be read in combination with the BCBS instructions "Instructions for the comprehensive quantitative impact study" as published by the BCBS on 17 February.

References are made to the relevant sections in the BCBS instructions for the additional information on liquidity.

Worksheet “Liquidity”

Part F of the work sheet on liquidity is added to the Basel QIS package in order to support analysis which is planned to be performed by CEBS.

3.4.6 Memo items on other assets, EU only (panel F)

Row	Heading	Description
Bonds issued by financial institutions		
272	rated AA or better	Unencumbered balances of bonds issued by financial institutions having a credit assessment by a recognised ECAI of at least AA.
273	rated A- up to AA-	Unencumbered balances of bonds issued by financial institutions having a credit assessment by a recognised ECAI of at least A- up to AA-.
274	rated below A-	Unencumbered balances of bonds issued by financial institutions having a credit assessment by a recognised ECAI below A-.
275	Other assets not included in the previous categories but central bank eligible.	Unencumbered balances of other assets not included in the previous categories but eligible as collateral to the central bank(s) for central bank(s) operations to which the institution is able to participate.
276	Equities not issued by financial institutions or by the respective firm itself, with low credit risk (AA or better)	Unencumbered balances of equities not issued by financial institutions or by the respective firm itself, the issuer of the equity having a credit assessment by a recognised ECAI of at least AA and listed on a recognized exchange and traded in large, deep and active markets.
277	Money market funds with credit risk better than AA	Money market funds having a credit assessment by a recognised ECAI above AA.
278	Of which: money market funds with AAA rating	Money market funds having a credit assessment by a recognised ECAI of AAA.
279	Of which: money market funds, composed of governments bonds only, with AAA rating	Money market funds with AAA rating composed of governments bonds only.
280	Is the respective legal entity a subsidiary located in EU?	Please indicate whether the respective legal entity is a subsidiary located within or outside the EU.

Worksheet “TTC provisioning (EU only)”

The worksheet “TTC credit loss provisioning” deals with the possible new CRD provisions that are expected to be included in the Commission’s consultation document.

The Commission services are exploring ways of ensuring that credit institutions make timely and adequate provisions for all credit risks they are exposed to in a counter-cyclical way. To

that extent the Commission services set up a technical group of Member State experts on credit loss provisioning in December 2009.

The working group is, inter alia, assessing systems for through-the-cycle provisioning that have been developed in the context of the current incurred loss event approach under IAS 39 in particular to better capture the inherent losses on non defaulted loans. The Commission services see merit in using data available under banks' Internal Rating Based approaches to credit risk (IRB) for accounting purposes.

The simplest way of determining the increase or decrease of "already existing" but "not-yet-manifested" credit losses in a performing loan portfolio is to compare annually the IRB expected loss amounts (EL: on the stock of performing loans) at the beginning of the year with the subsequent annual flow of losses actually materialised during the year (= Net Specific Provisions for non performing loans).

Typically during an upswing the flow of Net Specific Provisions for non-performing loans (NSP) recognised in the year is lower than the IRB Expected Losses (for performing loans) at the beginning of the year, the difference increases the cumulative stock of "already existing" but "not-yet-manifested" credit losses of the performing loan portfolio. The cumulative stock of general provisions (for performing loans) will increase by that amount. During a downturn the stock of general loans would decrease by the amount that the Net Specific Provisions for non performing loans (NSP) in the year is higher than the IRB Expected Losses of the performing loan portfolio at the beginning of the year.

Panel A

Data on panel A refer to aggregated credit loss data for financial reporting at the balance sheet date. Information is requested for on balance sheet exposures only and includes all credit risk exposures for the entity irrespective of their capital treatment (loan/loss data as presented in the published financial statements).

Panel B

Data refer to provisions and expected loss data of IRB portfolios according to Basel II/CRD. Information is requested for on balance sheet exposures only (please disregard the mistake in the template). Banks should provide data related to exposures subject to IRB approach for regulatory purposes, excluding those subject to partial use at each reference date.

Moreover, banks must sum the EL amount for corporate (including SL exposures subject to slotting criteria), sovereign, bank, and retail exposures (excluding hedged exposures under the double default treatment) and excluding the EL amount associated with equity exposures under the PD/LGD and simple weight risk approach and securitisation exposures). The amount of general and specific provisions should be related to the same asset classes.

Row	Heading	Description
TTC provisioning		
7	Increase in provisions for performing loans (general provisions)	Annual gross increase in provisions for performing loans (general provisions). Further instructions on general provisions see row 18 below.
8	Reduction / use of provisions for performing loans (general provisions)	Annual gross reduction/use of provisions for performing loans (general provisions). Further instructions on general provisions see row 18 below.
9	Net change in provisions for performing loans (general provisions)	This row is calculated automatically and does not require data input. Net inflows should be shown as positive figures and net outflows should be shown with negative sign (-).
10	Increase in provisions for non-performing loans (specific provisions)	Annual gross increase in provisions for non-performing loans (specific provisions). Further instructions on specific provisions see row 20 below.
11	Reduction / use of provisions for non-performing loans (specific provisions)	Annual gross reduction/use of provisions for non-performing loans (specific provisions). Further instructions on specific provisions see row 20 below.
12	Net change in provisions for non-performing loans (specific provisions)	This row is calculated automatically and does not require data input. Net inflows should be shown as positive figures and net outflows should be shown with negative sign (-).
17	Performing loans	Carrying amount (gross book value including accrued interests/commissions) of performing loans at the balance sheet date. See row 19 for further information on the distinction between performing and non-performing loans.

Row	Heading	Description
18	Provisions for performing loans (general provisions)	<p>Cumulative provisions/allowances for performing loans at the balance sheet date (general provisions) refer to IAS 39.59, 64, AG 84-92 [IFRS issue 1 Jan 2009] as included in the FINREP tables 7 and 9 [FINREP issued on 15 Dec 2009] "collective allowance for incurred but not yet reported losses".</p> <p>In case IFRSs were not applied (e.g. for the years before IFRS adoption) general provisions in accordance with the EU accounting directives should be used.</p> <p>In accordance with EU accounting rules, the Fund for General Banking Risks (art 38 Directive 86/635/EEC) and value adjustments (art 37(2) Directive 86/635/EEC) are part of regulatory capital and should <u>not</u> be included under provisions.</p>
19	Non-performing loans	<p>Carrying amount (gross book value including accrued interests/commissions) of non-performing loans at the balance sheet date include impaired assets with reference to IAS 39.58-70 and assets that qualify as past due (i.e. when the counterparty has failed to make a payment when contractually due) with reference to IFRS 7.37 (a), IG 26 – 28 [IFRS issue 1 Jan 2009]. FINREP table 7 [issued on 15 Dec 2009] illustrates the above mentioned references.</p>
20	Provisions for non-performing loans (specific provisions)	<p>Cumulative provisions/allowances for non-performing loans at the balance sheet date (specific provisions) refer to IAS 39.63-70, AG 84-92; IFRS 7.37 (b) [IFRS issue 1 Jan 2009] as included in the (new) FINREP tables 7 and 9 "specific allowances for individually assessed financial assets" and with reference to IAS 39.59, 64 „specific allowances for collectively assessed financial assets“.</p> <p>In case IFRSs were not applied (e.g. for the years before IFRS adoption) specific provisions in accordance with the EU accounting directives should be used.</p>
28	Expected loss for defaulted exposures	<p>Annual expected credit losses for defaulted exposures ($EL = LGD \times EAD$) [$PD = 1$]. Institutions under AIRB approach should refer to expected losses on best estimate basis, while banks on the foundation approach must use the supervisory LGD.</p>
29	Specific provisions for exposures treated under the IRB approach	<p>Annual net provisions for defaulted exposures treated under the IRB approach. Note that flow figures based on accounting provisions are requested.</p>
30	Expected loss for non-defaulted exposures	<p>Annual expected credit losses for non-defaulted exposures ($EL = PD \times LGD \times EAD$)</p>
31	General provisions for exposures treated under the IRB approach	<p>Annual net provisions for non-defaulted exposures treated under the IRB approach. Note that flow figures based on accounting provisions are requested.</p>