

**COREP IMPLEMENTATION QUESTIONS
(as answered by 15 April 2008)**

CEBS implemented in May 2007 a web-based facility, accessible to both supervisors and market participants, established to collect and address questions emerging in the implementation of the reporting frameworks. The answers only reflect CEBS' views on problems arising from the implementation of the CEBS Guidelines on Reporting, but they cannot be considered as interpretations of the underlying regulations (Directives 2006/48/EC and 2006/49/EC). Some of the answers included may imply a need for a future change in a CEBS Guidelines on Reporting. In such cases, national authorities will take the answer into consideration when implementing these Guidelines at the national level.

Area:	CA template
Issue:	Item 1.3.10: Free Deliveries Deduction
Question number:	1/2006
Date of question:	27 September 2006
Question:	<p>On template CA line 1.3.10 Free Deliveries deduction is included in the total line 1.3 for Deductions that are split 50:50 between Tier 1 and Tier 2.</p> <p>We are wondering why this is a 50:50 split, and not just a deduction from Tier 2?</p>
Answer:	<p>It is worth noting that as to the specific treatment to be given to the deduction laid down in Annex II paragraph 2 Table 2 of Directive 2006/49/EC, the Directive 2006/48 is absolutely silent. The general treatment of the deductions is considered in paragraph 2 of article 66 (except for the transitional treatment of insurance undertakings under article 154 paragraph 4 of Directive 2006/48/EC). Unfortunately in article 66 there is no mention to the deduction of free deliveries (and there is no mention of it in the rest of the Directive). Therefore it is clear that how to treat this deduction is a matter of the fora dealing with the interpretation of the Directive (e.g. Transposition working group or other) as this is clearly a hole in the regulation. As such, I do not consider that this issue can properly be deemed as a reporting issue, although it has an impact on the reporting framework.</p> <p>Notwithstanding the above, the current COREP templates consider</p>

	<p>the possibility of deducting these free deliveries 50% from tier 1 and 50% from tier 2 as this is the general treatment for all the deductions (see article 66.2) (except those that are in the form of limits to the eligibility of tier 2 elements as specified in article 66.1, which is clearly not the case). This was the common position agreed during COREP discussions taking into account the consistency with the Basel II text and the spirit of article 66.1. However, in the absence of an agreed interpretation by the EU Commission or other appropriate forum, if a country decides deduct this item from total own funds following the treatment given to deductions prior to the publication of Directives 2006/48 and 2006/49 it can easily implement it in item 1.7.1.</p> <p>As to the possibility of deducting this item 100% from tier 2 capital this seems very odd as the free deliveries are not an element of tier 2 capital so the spirit of the provisions in article 66.1 does not apply.</p> <p>As such, whether this element is to be deducted 50:50 or from total own funds is still not a crystal clear issue but any of these two solutions can easily be implemented under COREP.</p>
--	---

Area:	CA template
Issue:	IRB provision shortfall
Question number:	2/2006
Date of question:	October 2006
Question:	<p>In the CR EQU IRB template there is a memorandum item for the expected loss amount (column 14). In accordance with the CRD this amount is supposed to be deducted from own funds (art. 57q). In line 1.3.8. of the CA template we find “(-) IRB Provision shortfall”, with a reference to article 57q. We think the reference is OK, but the line’s name is not entirely correct. Do you agree?</p> <p>In line 1.8 of the CA template there are memorandum items. What’s the relation with the above mentioned line 1.3.8? Is it correct to say that the total amount of [1.8.1.1 + 1.8.1.2] should have a reference to Annex VII part 1 §36? And that “(-) IRB measurement of expected losses” should refer to Annex VII part 1 §29-35 excluding §32-34? Consequence of this line of thought is that line 1.3.8. is not the same amount as the total of 1.8.1. Is this correct?</p>
Answer:	<p>The COREP ON agrees it is necessary to make minor changes to the CA template to clarify the content of items 1.3.8, 1.8.1.1 and 1.8.1.2 in line with the interpretation suggested in the question: Label of item 1.3.8 should state: (-) IRB Provision shortfall and IRB equity expected loss amounts. Comment for item 1.8.1.1 should be introduced with the following text: Value adjustments and provisions related to the exposures mentioned in Annex VII Part 1 point 36 of Directive 2006/48/EC. Comment for item 1.8.1.2 should be introduced with the following text: Expected loss amounts calculated in accordance with</p>

	Annex VII Part 1 points 30, 31 and 35 of Directive 2006/48/EC as mentioned in Annex VII Part 1 point 36 of Directive 2006/48/EC.
--	---

Area:	CR IRB template
Issue:	Number of obligors (column 27)
Question number:	3/2006
Date of question:	October 2006
Question:	What's the intention of the column? The reference is not clear as to what to fill in. Is it correct if we say that guaranteed exposures have to report as <i>one</i> obligor? The exposure is only included for the adjusted PD grade and not also for the original obligor grade? Or does the column have another meaning?
Answer:	<p>It should be noted that the introduction of the "number of obligors" in the COREP CR IRB template was the result of the need of some supervisory authorities to have statistical information to constantly monitor off site the content of the provisions established in Annex VII part 4 point 8 regarding "undue concentration of obligors in a particular grade". In any event, as this statistical information depends heavily on the approaches decided by each national supervisory authority on how to monitor "concentration of obligors in a particular grade" as established in Annex VII part 4 point 8, the exact content of this column (and, as usual, if it is included or not in the local reporting framework) was left to the discretion of the national supervisory authorities.</p> <p>Notwithstanding the above and without prejudice to the national discretions mentioned above, as this column deals with an element of the structure of the rating systems, in principle, it should relate to the original exposures pre conversion factor assigned to each obligor grade or pool without taking into account the effect of CRM techniques (in particular redistribution effects). Besides, this suggested approach would be consistent with that followed by the proposal of solvency reporting issued by US regulatory agencies which can be seen in the following link: http://www.ffiec.gov/forms101.htm.</p>

Area:	CR SA template
Issue:	Exposure classes breakdown
Question number:	4/2006
Date of question:	October 2006

<p>Question:</p>	<p>In the section "other" of the CR SA references we read the reference that "In principle, for Institutions applying only to part of their exposures the SA, the IRB exposure classes' breakdown will apply". However, within the mentioned IRB classes, there is no equivalent for the 'Other Items' exposure class listed in Article 79 1p) of the CRD text. Take for example tangible assets (property, plant and equipment). To which IRB-category does this item belong?</p> <p>This leads to another question. Article 86 1g contains «other non credit-obligation assets». This category is not included in the reference. Is this correct?</p>
<p>Answer:</p>	<p>During the discussions of the COREP Technical Group it was apparent that it was not possible to provide a simple mapping procedure between SA exposure classes and the IRB exposure classes as there was no clear 1 to 1 mapping following the CRD provisions.</p> <p>As to the specific sub-question raised on tangible assets (property, plant and equipment) classified under "other items" in the SA approach about how they should be classified under the IRB approach, it is worth noting that this should be a matter of other fora dealing with the interpretation of CRD provisions, if it is the case.</p> <p>However, assuming they were classified under the "Other non credit-obligation assets" we can confirm this exposure class was not included on purpose in the list of available values for the dimension "Exposure class" both in the CR SA and CR IRB templates in order to avoid almost empty reports for this exposure class as most of the columns and rows of those templates will not be applicable to the "Other non credit-obligation assets" (e.g. CRM techniques, CCF, etc.).</p> <p>Instead, it was decided that the capital requirements for the "Other non credit-obligation assets" will be directly reported in item 2.1.2.5 (if the risk weighted assets are calculated under the IRB approach) or in item 2.1.1.1b.06 (if the risk weighted assets are calculated under the SA but are being reported according to the IRB exposure classes) of the CA template.</p>

<p>Area:</p>	<p>CR SA template</p>
<p>Issue:</p>	<p>Exposure classes breakdown</p>
<p>Question number:</p>	<p>5/2006</p>
<p>Date of question:</p>	<p>October 2006</p>

Question:	<p>In the section "other" of the CR SA references we read the reference that "In principle, for Institutions applying only to part of their exposures the SA, the IRB exposure classes' breakdown will apply". There we find the following retail categories:</p> <ol style="list-style-type: none"> 1. secured by real estate 2. qualifying revolving 3. other retail 4. of which: SME <p>Our interpretation is that the "of which"-line is not an separate category. So 1+2+3 = Total. Is this a correct interpretation? Further: Is it correct that "of which: SME" can both be a part of "secured by real estate" and "other retail"? Or is the "of which-item" only related to "other retail", because this line is next to it? How many sheets have to be filled in? One for the retail category, one for the subcategory secured by real estate, one for the qualifying revolving, one for the other retail and one with a specification of SME?</p>
Answer:	<p>Your interpretation is correct and the "Of which: SME" is an of which of "Retail" and as such entails part of both "Secured by real estate" and "Other retail". Accordingly, the available values for the additional dimension are those you point out without prejudice to the decisions taken under the national implementation plans on which elements to select and which to discard.</p>

Area:	CR SA template
Issue:	Risk weights
Question number:	6/2006
Date of question:	October 2006
Question:	In the template there is a risk weight row for 200%. We cannot find any reference to the CRD.
Answer:	See article 87 paragraph 11, letter (b) (ii) and article 87 paragraph 12, letter (b) (ii).

Area:	CR SEC IRB template
Issue:	Securitisation
Question number:	7/2006
Date of question:	October 2006

Question:	<p>1. Column 1: in the case of a Traditional securitisation, the credit institution may have sold the assets to an SPV that reports these assets on its balance sheet (hence the exposure is set to zero) and the credit institution doesn't retain a position therein. Is the credit institution still required to report the underlying assets?</p> <p>2. The reference for column 1 reads that the 'current amount' of the securitised exposures needs to be reported. What does 'current amount' exactly mean?</p>
Answer:	<p>1) In the case of traditional securitisations where the originator does not hold any position, then the originator should not consider that securitisation in the reporting of the CR SEC SA or CR SEC IRB templates. For this purpose securitisation positions held by the originator include early amortisation provisions in a securitisation of revolving exposures, as defined under article 100, paragraph 2 of Directive 2006/48/EC.</p> <p>For all other securitisations for which there is a recognition of significant risk transfer it should be further clarified that under column 1 of the CR SEC IRB and CR SEC SA templates the originator should report all the securitisation exposures originated irrespective of who is holding them (see Q20 2006). .</p> <p>2) "current amount" refers to the outstanding amount at the reporting date (not at the origination date).</p>
Actions	<p>The labels of columns 1 of CR SEC SA and CR SEC IRB should be read as follows:</p> <p>Total amount of securitisation exposures originated</p>

Area:	CR IRB template
Issue:	Value of the collateral
Question number:	8/2006
Date of question:	October 2006
Question:	<p>In the references to the columns 16-19 of the template, the following is stated: 'The amount to be reported should be the estimated market value of the collateral'. It seems that this instruction is, for the AIRB-part, not consistent with the CRD. See CRD Annex VIII. The amount to be reported should be the realisable value (which is equal to or lower than the market value). Is this correct?</p>
Answer:	<p>In the legal references and comments associated with columns 16 to 19 of the COREP CR IRB template it is stated that when own estimates of LGD are used, the amount to be reported for the value of funded credit protection should be the estimated market value of the collateral. This convention was decided in order to allow homogeneity and comparability in the reports on the use of funded credit protection provided by different institutions, independently from their modelling strategy regarding the impact of collateral on LGDs. Please note that under Annex VII part 4 point 77 institutions are not obliged to modify the market value of collateral "to take into account the</p>

	<p>effect of potential inability of credit institutions to expeditiously gain control of their collateral and liquidate it". Instead they are free to decide if they want to modify the market value to reflect that effect or they can decide other modelling strategies e.g. to introduce new variables in their internal models that would reflect that effect in the final estimates of LGDs. Therefore this CRD provision will impact the value to be reported in column 21 (that obviously should be calculated taking into account such provision) irrespective of the convention adopted for reporting the value of funded credit protection.</p> <p>Consequently, the convention adopted does not interfere with the provision laid down in Annex VII part 4 point 77 as such provision is clearly referring to how to take into account the existence of collateral in LGD estimates and columns 16 to 19 merely ask for the amount of funded credit protection used by the institution (trying to make the figures reported comparable among different institutions). Therefore, without prejudice to national implementation plans, COREP does not envisage the use of the "realisable value" in columns 16 to 19 of the CR IRB template. It should also be noted that the concept of "realisable value" is only mentioned in article 114 of Directive 2006/48/EC in the specific context of Large Exposures.</p>
--	---

Area:	CR IRB template
Issue:	Exposure weighted average maturity value
Question number:	9/2009
Date of question:	October 2006
Question:	In the template + references, the exposure weighted average maturity value has to be reported in <i>days</i> . This seems to be inconsistent with the CRD, in which is only being referred to <i>years</i> . Why is the template asking for <i>days</i> ?
Answer:	The convention adopted in COREP was that maturity should be reported in days. This decision was adopted to avoid the need of reporting figures with a big number of decimals (1 day = 0.0027 years). This convention for reporting does not interfere with the measurement units of maturity that have to be used as an input in the IRB formulas for the calculation of risk weighted exposure amounts. In any event, the use of days as measurement units is not in contradiction with the CRD as e.g. in Annex VII Part 2 point 14 you can find an explicit mention to M in days: "M shall be at least one day for....".

Area:	CR SA
Issue:	Clarification of breakdown of total exposure by risk weights
Question number:	10/2006

Date of question:	26 October 2006
Question:	<p>Do the fields below refer only to the 50 % Risk Weight category or to the categories 0% - 50 %?</p> <ul style="list-style-type: none"> • of which: past due (a) • Without credit assessment by a nominated ECAI (a) • Secured by commercial real estate (a)
Answer:	They refer only to the 50% risk weight category.

Area:	CR SA template
Issue:	Exposure classes
Question number:	11/2006
Date of question:	November, 2 nd , 2006
Question:	<p>In the CR SA template, Legal References and Comments, it says for the exposure classes that "In principle, for Institutions applying only to part of their exposures the SA, the IRB exposure classes' breakdown will apply."</p> <p>In the CA template, line 2.1.1 "...national supervisors may alternatively require to apply the IRB exposure classes referred to in Article 86 of Directive 2006/48/EC, paragraph 1 for reporting the credit risk standardized approach (e.g. in case of simultaneous application of standard and IRB approaches)".</p> <p>My question is where in the new Directives is this principle specified?</p> <p>Is there an option here as to what exposure classes are to be used, and if so is it a national discretion or can a reporting institution choose to use the SA exposure classes instead of the IRB exposure classes?</p>
Answer:	<p>The comments of the CR SA and CA templates referred in the question point out to a reporting convention not directly linked to specific principles laid down in Directives 2006/48/EC or 2006/49/EC. This convention adopted during the COREP design suggests the application of the IRB exposure classes' breakdown in the CR SA template (and accordingly in the CA template) for institutions applying to part of their exposures the standardized approach (SA) and applying to another part of exposures the IRB approach.</p> <p>It should be noted that this suggestion applies to those exposures for which their risk weighted assets are calculated under the SA. For these exposures the reporting convention is without prejudice to the application of the relevant CRD provisions for the calculation of risk weighted assets (i.e. articles 78 to 83 of Directive 2006/48/EC).</p> <p>Notwithstanding the above, competent authorities are free to choose which of the two available breakdowns should apply for each institution when reporting exposures under the SA and are also free to decide how to implement this option in their jurisdiction. As such,</p>

	an extreme case might be a competent authority leaving to the discretion of the institutions to decide which of the two available breakdowns they will use.
--	---

Area:	CA template
Issue:	Items 1.1.2.1. "Reserves" and 1.1.2.2. "Minority interests"
Question number:	12/2006
Date of question:	November 7 th , 2006
Question:	Some national authorities have an interest in obtaining an increased link between COREP and the Guidelines on Financial Reporting (FINREP) in the area of Reserves and Minority interest. Would it be possible to do it?
Answer:	<p>Currently, the CA template establishes the following relations with FINREP in the area of "Reserves" and "Minority interest":</p> <ul style="list-style-type: none"> • Reserves (COREP) \approx Reserves (FINREP) + Revaluation reserves (FINREP) (excludes the valuation differences included in 1.1.2.6) • Minority interest (COREP) \approx Minority interest (FINREP) (excludes the valuation differences included in 1.1.2.6) <p>Therefore, a conceptual difference with FINREP in these areas are the valuation differences subject to prudential filters included in item 1.1.2.6 of the CA template. Additionally, in the field of minority interest a potential source of discrepancy would be the part of minority interest not eligible as original own funds.</p> <p>However, it is possible for national authorities willing to do so to build an increased link with FINREP by the inclusion of five new items in the CA template (items 1.1.2.1.01, 1.1.2.1.02, 1.1.2.2.01, 1.1.2.2.02 and 1.1.2.2.03) with the wording and comments specified in the annex to this question (marked in red and blue font).</p> <p>In any event it is worth noting that the link between COREP and FINREP is potentially subject to discrepancies due to differences in the scope of consolidation used in the financial reporting and the scope used for prudential reporting and also for differences in the consolidation procedures.</p>
Annex	Annex

Area:	CR SA, CR IRB, CR SEC SA, CR SEC IRB templates
Issue:	Reporting of n th to default credit derivatives
Question number:	13/2006
Date of question:	November 7 th , 2006
Question:	Annex VI, part 1, point 89 and Annex VII, part 1, point 9 determines the capital treatment of contracts in which a credit institution

	<p>provides credit protection for a number of exposures under terms that the nth default among the exposures shall trigger the payment and this credit event shall terminate the contract (nth to default credit derivatives, in the following).</p> <p>How are credit institutions expected to report these nth to default credit derivatives under the Guidelines on Common Reporting?</p>
<p>Answer:</p>	<ul style="list-style-type: none"> ○ <u>Unrated nth to default credit derivatives under the Standardized Approach</u> (Annex VI part 1 point 89) should be reported in the "Other risk weights" row of the CR SA template under the exposure class "Other items". ○ <u>Rated nth to default credit derivatives under the Standardized Approach</u> (Annex VI part 1 point 89) should be directly reported as securitisation positions in the CR SEC SA template in the rows for Investors. ○ <u>Unrated nth to default credit derivatives under the IRB approach</u> (Annex VII part 1 point 9) should be reported in row 1.4 of the CR IRB template. ○ <u>Rated nth to default credit derivatives under the IRB approach</u> (Annex VII part 1 point 9) should be directly reported as securitisation positions in the CR SEC IRB template in the rows for Investors.
<p>Actions needed</p>	<p>The COREP ON will propose the Sub-group on Reporting the modification of the label in row 1.4 to include not only the unrated nth to default credit derivatives under the IRB approach but also any other exposure carrying a risk weight and not classified in any other row of the template. As such the label of row 1.4 should read as follows: "EXPOSURES FROM FREE DELIVERIES APPLYING RISK WEIGHTS UNDER THE ALTERNATIVE TREATMENT OR 100% AND OTHER EXPOSURES SUBJECT TO RISK WEIGHTS".</p> <p>It will also be proposed to amend the comment associated to this row in the legal reference an comments of the CR IRB template that should read: "Exposures arising from free deliveries for which the alternative treatment referred to in annex II point 3 of Directive 2006/49/EC, first subparagraph last sentence is used or for which a 100% risk weight is applied according to annex II point 3 last subparagraph of Directive 2006/49/EC. Unrated nth to default credit derivatives under annex VII part 1 point 9 of Directive 2006/48/EC and any other exposure subject to risk weights not included in any other row should be reported in this row."</p> <p>Until the proposed modifications in the COREP package are implemented at the CEBS level, the COREP Operational Network encourages national authorities to adopt the following transitory solution: the unrated nth to default credit derivatives under the IRB should be reported in row 1.4 of the CR IRB template.</p>

<p>Area:</p>	<p>CR SA template</p>
<p>Issue:</p>	<p>Exposure classes under Standardised Approach</p>

Question number:	14/2006
Date of question:	November 7 th , 2006
Question:	<p>1. Do institutions need to take into consideration the existence of credit risk mitigation techniques for reporting when assigning the original exposure pre conversion factors to exposure classes?</p> <p>2. How an original exposure should be reported when according to its characteristics it could be assigned to more than one of the exposure classes mentioned in article 79 (1)? In this vein, could you clarify how the reporting should be made in the following examples?</p> <p>Example 1</p> <p>Loan for a corporate (not eligible for retail) of 100.000 secured by:</p> <p>Residential property 50.000. This means that 50.000 is the amount considered fully and completely secured to the satisfaction of competent authorities by mortgages on residential property (e.g. a 70 % LTV in use).</p> <p>State guarantee 25.000</p> <p>Financial collateral 15.000 in the form of a bond issued by a non rated Institution with a risk weight of 50%.</p> <p>For simplicity value adjustments and provisions are assumed to be 0.</p> <p>In example 1a it is assumed that the bank uses the financial collateral simple method.</p> <p>In example 1b it is assumed that the comprehensive method is used (in this case the haircuts applicable are assumed to be 5.000 which implies $C_{vam}=10.000$).</p> <p>Example 2</p> <p>Loan 100.000 to a private person (retail): one material payment is past due over 90 days (value adjustments are assumed for simplicity to be 0 which implies less than 20% of the unsecured part of the exposure gross of value adjustments) and secured by:</p> <p>Residential real estate collateral 60.000. This means that 60.000 is the amount considered fully and completely secured to the satisfaction of competent authorities by mortgages on residential property (a 70 % LTV in use).</p> <p>State guarantee 10.000</p> <p>Deposit in another bank 5.000 (non rated institution risk weighted 50%).</p>
Answer:	For the classification of exposures into the different exposure classes

the Guidelines on Common Reporting have adopted a sequential approach fully consistent with the CRD:

1. On the first stage the Original exposure pre conversion factors is classified into the corresponding exposure class.
2. In a second phase the exposures can be redistributed due to the application of credit risk mitigation (CRM) techniques with substitution effects on the exposure (e.g. guarantees, credit derivatives, financial collateral simple method) *via* Inflows and Outflows.

The following criteria apply for the classification of the Original exposure pre conversion factors into the different exposure classes (first stage) without prejudice to the subsequent redistribution caused by the use of CRM techniques with substitution effects on the exposure or to the treatment (risk weight) that each specific exposure should receive within the assigned exposure class.

- **For the purpose of classifying the original exposure pre conversion factor in the first stage, the CRM techniques associated to the exposure shall not be considered** (note that they will be considered explicitly in the second phase) **unless a protection effect is intrinsically part of the definition of an exposure class** as it is the case in the exposure class mentioned in article 79 paragraph 1 lit. i) (Claims or contingent claims secured on real estate property).
- **The categorisation of exposures provided by the 16 exposure classes offered in article 79, paragraph 1 of Directive 2006/48/EC does not provide disjoint exposure classes.** This might imply that one exposure could potentially be classified in different exposure classes if no prioritisation in the assessment criteria for the classification is provided. The most obvious example arises between Short-term claims on institutions and corporate (article 79.1. lit. n) and Claims or contingent claims on institutions (article 79.1. lit.f) / Claims or contingent claims on corporates (article 79.1. lit.g). In the example provided it is clear that there is an implicit prioritisation in the Directive since it should be assessed first if a certain exposure fit for being assigned to Short-term claims on institutions and corporate and only afterwards do the same process for Claims or contingent claims on institutions and Claims or contingent claims on corporates. Otherwise it is obvious that the exposure class mentioned in article 79.1. lit.n will never be assigned an exposure. The example provided is one of the most obvious examples but not the only one. It is worth noting that the criteria used for establishing the exposure classes under the standardised approach are different (institutional categorisation, term of the exposure, past due status, etc.) which is the underlying reason for non disjoint groupings.

For a homogeneous and comparable reporting it is necessary to specify prioritisation assessment criteria for the assignment of the Original exposure pre conversion factor by exposure classes, **without prejudice to the specific treatment (risk weight) that each specific exposure should receive within the assigned exposure class.** The prioritisation criteria presented below using a decision tree scheme (see Annex I) are based on the assessment of

the conditions explicitly laid down in the Directive 2006/48/EC (CRD) for an exposure to fit in a certain exposure class and, if it is the case, on any decision on the part of the reporting institutions or the supervisor on the applicability of certain exposure classes. As such, the outcome of the exposure assignment process for reporting purposes would be in line with CRD provisions and its interpretations issued by the CRDTG. This does not preclude institutions to apply other internal assignment procedures that may also be consistent with all relevant CRD provisions and its interpretations issued by the appropriate fora.

An exposure class will be given priority to others in the assessment ranking in the decision tree (i.e. it will be first assessed if an exposure can be assigned to it, without prejudice to the outcome of that assessment) if otherwise no exposures would potentially be assigned to it. This would be the case when in the absence of prioritisation criteria one exposure class would be a subset of others. As such the criteria graphically depicted in Annex 1 would work on a sequential process.

With this background the assessment ranking in the decision tree mentioned above would follow this order:

1. Securitisation positions
2. Items belonging to regulatory high-risk categories
3. Past due items
4. Claims in the form of collective investment undertakings ('CIU')/
Claims in the form of covered bonds (disjoint exposure classes)
5. Claims or contingent claims secured on real estate property
6. Other items
7. Short-term claims on institutions and corporate
8. All other exposure classes (disjoint exposure classes):
 - Claims or contingent claims on central governments or central banks
 - Claims or contingent claims on regional governments or local authorities
 - Claims or contingent claims on administrative bodies and non-commercial undertakings
 - Claims or contingent claims on multilateral development banks
 - Claims or contingent claims on international organisations
 - Claims or contingent claims on institutions
 - Claims or contingent claims on corporates
 - Retail claims or contingent retail claims

In the case of claims in the form of collective investment undertakings it should be noted that if the look through approach (Annex VI part 1 paragraphs 77 to 81) is used then the underlying individual exposures should be considered and classified into their corresponding risk weight

	<p>line according to their treatment but all the individual exposures should be classified within the exposure class of claims in the form of collective investment undertakings ('CIU').</p> <p>In the case of nth to default credit derivatives specified in Annex VI part 1 paragraph 89 if they are rated they should be directly classified as securitisation positions. If they are not rated they should be considered in the "Other items" exposure class. In this latter case the nominal amount of the contract will be reported as the Original exposure pre conversion factors in the line for "Other risk weights" (the risk weight used will be that specified by the sum indicated under Annex VI part 1 paragraph 86). Please refer to question 13/2006 for further details on the reporting of nth to default credit derivatives.</p> <p>Please note that for securitisation positions the reporting should be done in the CR SEC SA or CR SEC IRB templates and not in the CR SA.</p> <p>Regarding the reporting of the examples please find the filled in CR SA templates in the files annexed to this question. Note that the data presented in the grey shaded cells are included only for clarification purposes).</p>
Annexes	<p>Decision tree</p> <p>Examples</p>

Area:	CR SA template
Issue:	Exposure classes: retail SMEs eligible for double default treatment as Corporate SMEs
Question number:	15/2006
Date of question:	7 November 2006
Question:	According to the Legal references & Comments included in table CR SA, an exposure on a SME falling under annex VII part 1 point 11 of Directive 2006/48/EC, and therefore included in the Retail exposure class according to article 86.4 of Directive 2006/48/EC, should be reported as part of the corporates exposure class under the item "Corporates: Of which SME" and not as part of the Retail exposure class under item "Retail: Of which SME". Does it mean that these exposures belong to the corporates class for reporting purposes?
Answer:	The legal references and comments of the CR SA template currently show a contradiction on the content of the Retail and Corporates exposure classes for reporting purposes. On the one hand there are clear references to article 86 of Directive 2006/48/EC, while on the other hand it is stated that retail SMEs falling under annex VII part 1 point 11 should be included in the corporate exposure class under item "Corporates: Of which SME", what is in contradiction with what is stated in article 86.4 Directive 2006/48/EC that assigns these exposures to the

	<p>Retail exposure class.</p> <p>Therefore, in order to ensure the consistency with the relevant CRD provisions, all exposures on SMEs falling under annex VII part 1 point 11 of Directive 2006/48/EC should be reported in the Retail exposure class and included in item "Retail: Of which SME". The legal reference and comments of CR SA template should be modified accordingly.</p>
Action needed	<p>It was agreed by the COREP ON to propose the deletion of the last sentences of the comments (in the legal references & comments of the CR SA template) associated to the items:</p> <ul style="list-style-type: none"> • "Corporates: Of which SME" • "Retail: Of which SME" <p>Until the proposed modifications in the Guidelines on Common Reporting are implemented at the CEBS level, the COREP Operational Network encourages national authorities to adopt the following transitory solution: to disregard in their national implementations the content of the last sentences of the comments attached to the two items mentioned above, thus allowing exposures on SMEs falling under annex VII part 1 point 11 of Directive 2006/48/EC to be reported in the Retail exposure class and to be included in item "Retail: Of which SME".</p>

Area:	CA template
Issue:	Items 1.1.2.4a "(-) Material Losses for the current year" and 1.1.2.4b "Interim profits or material losses for the current year"
Question number:	16/2006
Date of question:	November 8 th , 2006
Question:	<p>1. Could you please explain why does row 1.1.2.4a refer to article 57, sentence 2 lit. (k) of Directive 2006/48/EC? In our opinion it should refer to Art 57, sentence 3 of Directive 2006/48/EC equally like the next row (1.1.2.4a.01).</p> <p>2. Is it possible to have positive number (profit) in the row 1.1.2.4b? Next two rows Row 1.1.2.4b.01 "(-) Income (negative) from current year" and Row 1.1.2.4b.02 "Part of Income (negative) from current year to be filtered out to valuation differences" seems to be only for losses.</p> <p>3. Is it right to have legal reference: "Article 57, sentence 3 of Directive 2006/48/EC if positive" into the row 1.1.2.4b? In our opinion this reference fits only to row 1.1.2.3 "Interim profits".</p>
Answer:	<p>Regarding rows 1.1.2.3, 1.1.2.4a and 1.1.2.4b it is worth clarifying the following general rules that are supported by the legal references used:</p> <ul style="list-style-type: none"> • Items 1.1.2.3, 1.1.2.3.01 and 1.1.2.3.02 are used only when the accounting income from current year is positive and has been audited. The sign of 1.1.2.3 may be positive or negative depending on the amount to be filtered out. • Items 1.1.2.4a, 1.1.2.4a.01 and 1.1.2.4a.02 are used only when the accounting income from current year is unaudited whatever its sign is. The sign of 1.1.2.4a is always negative (or zero) due to

	<p>the application of the formula $\text{Min}[(1.1.2.4a.01+1.1.2.4a.02); 0]$.</p> <ul style="list-style-type: none"> • Items 1.1.2.4b, 1.1.2.4b.01 and 1.1.2.4b.02 are used only when the accounting income from current year is negative and has been audited. The sign of 1.1.2.4b may be positive or negative depending on the amount to be filtered out. • The sign of the figures to be included in items 1.1.2.3.02, 1.1.2.4a.02 and 1.1.2.4b.02 (part of income to be filtered out to valuation differences) follows the convention of signs included in footnote (a) of the CA template. As such, positive figures will be reported when negative components of income are subject to a CEBS' prudential filter (e.g. unrealised losses for investment properties are filtered out). On the contrary, negative figures should be reported when positive components of income are subject to a CEBS' prudential filter (e.g. unrealised gains for investment properties are filtered out). <p>1. Following the rules mentioned above, in row 1.1.2.4a the unaudited material losses after excluding valuation differences should be reported. As such, the reference included in row 1.1.2.4a: "if material according to article 57, sentence 2 lit.(k) of Directive 2006/48/EC" refers to the materiality concept of losses mentioned therein. The comment attached to row 1.1.2.4a.01 indicates that in this item only amounts (either positive or negative income) that do not fulfil the conditions laid down in article 57, sentence 3 of Directive 2006/48/EC, (i.e., amounts that have not been verified by persons responsible for the auditing of the accounts) should be reported.</p> <p>2. As mentioned in the general rules, positive numbers could be reported under item 1.1.2.4b due to the application of CEBS' prudential filters. That is to say that accounting losses could potentially be reverted into interim profits after excluding the valuation differences.</p> <p>3. Once said that positive amounts could potentially be reported under item 1.1.2.4b, then the reference made to "article 57, sentence 3 of Directive 2006/48/EC if positive" further clarifies that the accounting losses reverted into interim profits after excluding the valuation differences should comply with the conditions referred in that legal reference in order to be eligible as original own funds.</p> <p>See the example attached in Annex 1 for further clarifications.</p>
Annex	<p>Let us assume for simplicity a bank with a net income excluding valuation differences of 2 and with valuation differences of -10 stemming from unrealised losses during the year in investment property valued under the fair value model. As such the income from current year would be $2-10 = -8$. Assuming there is no discrepancy in the scope of consolidation between prudential and accounting consolidation -8 would also be the amount of losses reported in FINREP.</p> <p>In file Q16 2006 Annex1a.xls you may find the reporting in the CA template of this example when the accounts have been verified by persons responsible for the auditing of the accounts.</p> <p>In file Q16 2006 Annex1b.xls you may find the reporting in the CA template of this example when the accounts have not been verified</p>

	<p>by persons responsible for the auditing of the accounts.</p> <p>Annex 1.a</p> <p>Annex 1.b</p>
--	---

Area:	CR EQU IRB
Issue:	Content of the column 6 "Inflow"
Question number:	17/2006
Date of question:	17 November 2006
Question:	Columns 5-6: What is required to be reported here? It seems unlikely that there will be an Inflow into this template as there is no exposure class dimension here.
Answer:	<p>As mentioned in the comment attached to these columns "<i>Outflows correspond to the covered part of the Original Exposure pre conversion factors, that is deducted from the obligor's exposure class and, when relevant, risk weight or obligor grade or pool, and subsequently assigned to the protection provider's exposure class and, when relevant, risk weight or obligor grade or pool. This amount will be considered as an Inflow into the protection provider's exposure class and, when relevant, risk weights or obligor grades or pools.</i>" As such, if the reporting institution applies the IRB approach for equity claims (and therefore the CR EQU IRB template is applicable), then column 5 of this template (outflows) includes the part of original exposure pre conversion factors assigned to the exposure class "equity claims", mentioned in article 86 paragraph 1 lit. (e), covered by unfunded credit protection.</p> <p>If the reporting institution applies the IRB approach for equity claims, then column 6 of the CR EQU IRB template (inflows) could include, if it is the case, the part of "exposure net of value adjustments and provisions" assigned to any exposure class treated under the Standardized approach which is covered by equities recognized as eligible collateral under the Financial Collateral Simple Method. Note that in this case the "Outflow" would be located in the CR SA or in the CR SEC templates, with the corresponding inflow in the CR EQU IRB template.</p> <p>It is worth noting that the potential content for column 6 of the CR EQU IRB template mentioned above does not interfere with the decisions that the national competent authorities or the appropriate international fora could take on the applicability of the IRB approach to the exposures covered by equities in the case specified above. The design of the CR EQU IRB template is flexible to accommodate any decision on this regard.</p>

Area:	CR EQU IRB
Issue:	Content of the columns 8 and 10 "Off balance sheet items"
Question number:	18/2006
Date of question:	November 17, 2006
Question:	Column 8 and 10: What is required to be reported here? If it's about instruments like equity derivatives, the reference (see CR SA ref -> annex II) seems to be incorrect.
Answer:	According to the legal reference and comments attached to these columns, off balance sheet items referred to in Annex II of Directive 2006/48/EC assigned to the "equity claims" exposure class should be reported under columns 8 and 10 of the CR EQU IRB template (e.g. "the unpaid portion of partly-paid shares").

Area:	CR SEC IRB							
Issue:	Column 5 Original exposure pre conversion factors							
Question number:	19/2006							
Date of question:	18 December 2006							
Question:	<p><u>Column 1-5:</u> According to the instruction for Column 4 the <i>notional</i> amount of the credit protection that is retained or repurchased should be reported. As a result Columns 2-4 become a 'mix' of nominal and adjusted values. The outcome of the formula in Column 5 seems to be meaningless. See the example below.</p> <p><u>Synthetic securitisation</u></p> <ul style="list-style-type: none"> * Exposures of 1,000; maturity = 4 years and 3 months * Credit protection of 1,000; maturity = 2 years and 3 months * Notional amount repurchased of credit protection 150 <p>Because of a maturity mismatch between the credit protection by which the tranching is achieved and the securitised exposures, the adjusted value of the credit protection is 500 (see Annex IX part 2 point 7). The calculated exposure in Column 5 is <u>650</u>. However, the real exposure is $1000 - 50\% * 850 = 575$ or calculated differently: $(1000 - 150) * 50\% + 150 = 575$</p> <p>Do you agree?</p> <table border="1" data-bbox="491 1854 1442 2022"> <tr> <td rowspan="2">TOTAL AMOUNT OF SECURITISED</td> <td colspan="2">SYNTHETIC SECURITIZATIONS: CREDIT PROTECTION TO THE SECURITISED EXPOSURES</td> <td>SECURITISATION POSITIONS</td> </tr> <tr> <td>(-) FUNDED</td> <td>(-) TOTAL</td> <td>NOTIONAL ORIGINAL</td> </tr> </table>	TOTAL AMOUNT OF SECURITISED	SYNTHETIC SECURITIZATIONS: CREDIT PROTECTION TO THE SECURITISED EXPOSURES		SECURITISATION POSITIONS	(-) FUNDED	(-) TOTAL	NOTIONAL ORIGINAL
TOTAL AMOUNT OF SECURITISED	SYNTHETIC SECURITIZATIONS: CREDIT PROTECTION TO THE SECURITISED EXPOSURES		SECURITISATION POSITIONS					
	(-) FUNDED	(-) TOTAL	NOTIONAL ORIGINAL					

EXPOSURE S ORIGINATE D	CREDIT PROTECTIO N (Cvam)	OUTFLOWS	AMOUNT RETAINED OR REPURCHASE D OF CREDIT PROTECTION	EXPOSURE PRE CONVERSIO N FACTORS
		UNFUNDED CREDIT PROTECTION ADJUSTED VALUES (Ga)		
1	2	3	4	5
1000	500		150	650

Answer:

Firstly, it should be noted that the consideration of maturity mismatches in synthetic securitisations (Annex IX Part 2 point 7 of the Directive 2006/48/EC) is based on two sets of exposures (except for tranches subject to a 1250% risk weighting where any maturity mismatch should be ignored). The first set comprises the exposures if they had not been securitised (Ass) and the other set are the exposures if there was no maturity mismatch (SP). Finally, the risk weighted exposure amounts for the purpose of article 75 (a) (RW*) is a linear combination of the risk weighted exposure amounts for these two sets of exposures:

$$RW^* = [RW(SP) \times (t-t^*) / (T-t^*)] + [RW(Ass) \times (T-t) / (T-t^*)].$$

Therefore it is also worth noting that **the treatment under Annex IX Part 2 point 7 of Directive 2006/48/EC does not envisage maturity mismatches to be taken into account in the adjusted value of the credit risk mitigation techniques** involved in the securitisation structure.

Considering this background, **columns 1 to 36 of the CR SEC IRB and columns 1 to 30 of the CR SEC SA templates, should only reflect the information related to the securitisation exposures if there was no maturity mismatch (SP)**. Note that (SP) are the only exposures that follow the treatment for securitisation positions considered in these columns of the CR SA and CR IRB templates. The other set of exposures (Ass) would follow the treatment as if they had not been securitised (bearing in mind that they are not included in the CR SA, CR IRB or CR EQU IRB templates). As such, following the example provided: column 1=1000, column 2=1000, column 4=150 and column 5=150.

In order to reflect the impact of maturity mismatches in the securitisations new columns 36bis in the CR SEC IRB template and column 30bis in the CR SEC SA template should include the adjustment to the risk weighted exposure amount due to maturity mismatches [RW*-RW(SP)].

As usual, the risk weighted exposure amounts corresponding to the outflows to other exposure classes (which are therefore reported in another credit risk template are not included in columns 30 of the CR SEC SA template and 36 of the CR SEC IRB templates to avoid double counting –see Q22/2006–).

In the excel file "Q19 2006 Example_a" attached to this question you can find as an example the CR SEC IRB template filled in following the

	<p>example provided in the question with some additional assumptions and qualifications:</p> <p>Exposures of 1000; maturity: 4 years and 3 months. Average Risk weight of the pool: 200% (So, the Kirb is $1000 \times 200\% \times 8\% = 160$, which is also the cap).</p> <p>A two-tranche structure is originated:</p> <ul style="list-style-type: none"> • 150 first loss unrated tranche, in the form of Credit Linked Notes guaranteed by posted collateral with maturity 2 years and 3 months (there is a maturity mismatch). The volatility-adjusted value of the collateral (Cva) is 150. The originator retains/repurchases the Credit Linked Notes. This position will be subject to a 1250% risk weight, according to the Supervisory Formula (since the first loss tranche is below Kirb). • 850 senior tranche in the form of Credit Linked Notes guaranteed by posted collateral with maturity 2 years and 3 months (there is a maturity mismatch). The volatility-adjusted value of the collateral (Cva) is 850. These Credit Linked Notes are hold by third parties. <p>The details and explanations of the computations made can also be found in the abovementioned excel file.</p> <p>For completeness, in the excel file "Q19 2006 Example_b" also attached to this question you can find the CR SEC IRB template filled in if the following modifications are made to the previous example:</p> <p>The credit protection provided is unfunded in the form of a CDS with adjusted value of 850 and therefore the following structure is originated:</p> <ul style="list-style-type: none"> • 150 first loss unrated tranche, retained by the originator. This position will be subject to a 1250% risk weight, according to the Supervisory Formula. • 850 senior tranche, created using unfunded protection in the form of a CDS with maturity 2 years and 3 months (there is a maturity mismatch). Risk weight of the CDS seller (an institution treated under the SA approach): 20% <p>The grey shaded cells of the CR SA template with reported data are shown just for clarification purposes.</p>
Action needed	<p>In order to clarify the treatment specified above the labels and legal references and comments of the following items of the CR SEC IRB and CR SEC SA templates should be amended as follows:</p> <ul style="list-style-type: none"> • The legal reference & comments associated to the item "SYNTHETIC SECURITISATIONS: CREDIT PROTECTION TO THE SECURITISED EXPOSURES" (Columns 2 to 4 of the CR SEC IRB and CR SEC SA templates) should read: "Annex IX part 2, points 4 to 7 of Directive 2006/48/EC. Following these provisions the credit protection to the securitised exposures should be as if there was no maturity

mismatch".

- The label of column 2 of the CR SEC IRB and CR SEC SA templates should be "(-) FUNDED CREDIT PROTECTION (Cva)" and the legal references & comments associated to this item should state: "**Annex VIII, part 3, point 33 of the Directive 2006/48/EC.**"
- The label of column 3 of the CR SEC IRB and CR SEC SA templates should be "(-) UNFUNDED CREDIT PROTECTION (G*)" and the legal references & comments associated should be "**Annex VIII, part 3, point 84 of the Directive 2006/48/EC.**"
- The legal references & comments associated to column 30 of the CR SEC SA template should read as follows: "Annex IX part 4 of Directive 2006/48/EC without taking into account the provisions laid down in annex IX part 4 points 8 or 22 of Directive 2006/48/EC regarding the maximum risk-weighted exposure amounts **and excluding any risk weighted exposure amount corresponding to exposures redistributed via outflows to another template. For synthetic securitisations with maturity mismatches, the amount to be reported in this column should ignore any maturity mismatch.**"
- The legal references & comments associated to column 36 of the CR SEC IRB template should read as follows: "Annex IX part 4 of Directive 2006/48/EC without taking into account the provisions in annex IX part 4 point **45** of Directive 2006/48/EC regarding the maximum risk-weighted exposure amounts **and excluding any risk weighted exposure amount corresponding to exposures redistributed via outflows to another template. For synthetic securitisations with maturity mismatches the amount to be reported in this column should ignore any maturity mismatch.**"
- A NEW COLUMN 30bis should be included in the CR SEC SA template with the following label: "ADJUSTMENT TO THE RISK WEIGHTED EXPOSURE AMOUNT DUE TO MATURITY MISMATCHES"
- The legal reference & comments associated to the new column 30bis in the CR SEC SA template should read: "**For maturity mismatches in synthetic securitisations RW*-RW(SP), as defined in Annex IX Part 2 point 7 of the Directive 2006/48/EC, should be included, except in the case of tranches subject to a risk weighting of 1250% where the amount to be reported is zero. Note that RW(SP) not only includes the risk weighted exposure amounts reported under column 30 but also the risk weighted exposure amounts corresponding to exposures redistributed via outflows to other templates**".
- A NEW COLUMN 36bis should be included in the CR SEC IRB template with the following label: "ADJUSTMENT TO THE RISK WEIGHTED EXPOSURE AMOUNT DUE TO MATURITY

	<p>MISMATCHES”</p> <ul style="list-style-type: none"> The legal reference & comments associated to the new column 36bis in the CR SEC IRB template should read: “For maturity mismatches in synthetic securitisations RW*-RW(SP), as defined in Annex IX Part 2 point 7 of the Directive 2006/48/EC, should be included, except in the case of tranches subject to a risk weighting of 1250% where the amount to be reported is zero. Note that RW(SP) not only includes the risk weighted exposure amounts reported under column 36 but also the risk weighted exposure amounts corresponding to exposures redistributed via outflows to other templates.” <p>A transitional solution before the proposed actions are implemented at the national level would be to include in columns 30 and 36 also the amounts corresponding respectively to columns 30bis and 36bis specified above.</p>
Annex	<p>Example a</p> <p>Example b</p>

Area:	CR SEC IRB
Issue:	Column 5 Original exposure pre conversion factors
Question number:	20/2006
Date of question:	18 December 2006
Question:	<p>Can you please give us advice on the reporting of the following example in COREP?</p> <ul style="list-style-type: none"> * Pool of 1,000, consisting of 4 tranches: 700 (rated AAA), 150 (rated A), 100 (rated BBB) and 50 (unrated equity position) * Liquidity Facility 1,000 * Credit Linked Notes bought back 150 <p>Among other things we are interested in:</p> <p>How to fill in the ‘on balance sheet items’, the ‘off balance sheet items’ and derivatives</p> <p>How, applying risk weights to the liquidity facility in relation to the repurchased amounts, should be considered and thus be reported (think of possible overlapping positions)?</p>
Answer:	<p>As the question points out, securitisation transactions could originate a higher amount of securitisation exposures than the amount of assets that have been initially securitised. This could be because off-balance sheet items and derivatives could be added to the structure (e.g. liquidity facilities, subordinated credit lines, interest rate swaps, etc.)</p>

and also because subordinated loans or bonds could also be added to the structure (e.g. subordinated tranches reflected in the case of traditional securitisations as reserves accounts on the asset side of the securitisation special purpose entity (SSPE) balance sheet). For ABCP programs this situation could become more apparent as liquidity facilities could be similar in size to the amount of assets that have been securitised.

Regarding the question on how to fill in the "on balance sheet items" and "off balance sheet items and derivatives" rows it is worth noting that the total amount of securitisation exposures originated in the form of "**on-balance sheet items**" in a traditional securitisation transaction is equivalent to the total amount of "securitised exposures", as defined in the answer to Q127 by the Commission's CRD Transposition Group (CRDTG). This relation holds as the on-balance sheet securitisation exposures originated in a traditional deal conforms, by definition, the SSPE liabilities and, accordingly, they must correspond to the sum of all SSPE assets, the latter being equal to the "securitised exposures" (see Q127 of the CRDTG). In synthetic securitisations also the underlying pool of securitised exposures should be reported in the "on balance sheet items" row. For both traditional and synthetic securitisations, off-balance sheet securitisation positions subject to a conversion factor under the securitisation framework, as mentioned in Annex IX part 4 point 2 letter c), and securitisation positions arising from a derivative instrument listed in Annex IV of Directive 2006/48/EC should be reported under the row "**off balance sheet items and derivatives**".

According to what is mentioned above, **column 1** of the CR SEC SA and CR SEC IRB templates provides information on the structure of **all the securitisation exposures originated**. Hence, only originators should fill in this column and they should report all the securitisation exposures originated in the securitisation transaction, irrespective of who holds the positions.

On the other hand, **column 5** of the CR SEC SA and CR SEC IRB templates reflect the amount of **securitisation positions** that are **held** by either the originator, investor or sponsor (the reporting institution should fill in the corresponding rows according to its role in the securitisation). The positions reported under this column are those for which its capital requirements' treatment is covered in the following columns of the template. Only in the case of maturity mismatches the securitised exposures as if they had not been securitised play a direct role in the determination of capital requirements in addition to the securitisation exposures held by the reporting bank and reported under column 5 (see Q19 2006). The treatment of these exposures is encapsulated in a dedicated column newly introduced by Q19 2006).

Regarding the question on how to apply the risk weights to the liquidity facility and the existence of possible overlapping position, it is worth noting that it is not the role of the answers to implementation questions on the reporting framework to interpret the legal provisions laid down in Annex IX, Part 4 of Directive 2006/48/EC on the calculation of risk weighted exposure amounts for securitisation positions. As such, following what is mentioned in Annex IX, Part 4, point 5 of Directive 2006/48/EC, in the case there were overlapping positions, to the extent they overlap, only the position or portion of a position producing the higher risk-weighted exposure amounts should be reported in the

CR SEC SA and CR SEC IRB templates.

Below you may find the reporting of the example proposed in the question under the following additional assumptions: the originator also retains the 50 first loss tranche (unrated equity position) and it is the provider of the liquidity facility, which is assumed not to represent an exposure to the same risk as another securitisation position and therefore no overlapping positions are present in the example reported below.

	TOTAL AMOUNT OF SECURITISATION EXPOSURES ORIGINATED	SYNTHETIC SECURITIZATIONS: CREDIT PROTECTION TO THE SECURITISED EXPOSURES			SECURITISATION POSITIONS
		(-) FUNDED CREDIT PROTECTION (Cva)	(-) TOTAL OUTFLOWS	NOTIONAL AMOUNT RETAINED OR REPURCHASED OF CREDIT PROTECTION	ORIGINAL EXPOSURE PRE CONVERSION FACTORS
			UNFUNDED CREDIT PROTECTION ADJUSTED VALUES (G*)		
	1	2	3	4	5
TOTAL EXPOSURES	2000	950		150	1200
ORIGINATOR: TOTAL EXPOSURES	2000	950		150	1200
ON BALANCE SHEET ITEMS	1000	950		150	200
<i>Most senior</i>	<i>700</i>	<i>700</i>		<i>0</i>	<i>0</i>
<i>Mezzanine</i>	<i>250</i>	<i>250</i>		<i>150</i>	<i>150</i>
<i>First loss</i>	<i>50</i>				<i>50</i>
OFF BALANCE SHEET AND ITEMS	1000				1000

	EARLY AMORTIZATION					
Actions	<p>According to the legal references and comments of the CR SEC SA and CR SEC IRB templates and to what has been mentioned above, the off-balance sheet items (1000 liquidity facility in the example provided) should be reported in the "off-balance sheet items and derivatives" row and will be affected by the conversion factors (see columns 16 to 19 of the CR SEC SA template and columns 13 to 16 of the CR SEC IRB template). Any on-balance sheet item should be reported in its corresponding row: "on-balance sheet items". Thus, the amount of securitisation exposures originated is 2000, and the securitisation positions held by the reporting institution will be 1200 (1000 corresponding to off balance sheet items and 200 to on balance sheet items).</p> <p>In order to clarify the treatment specified above the labels and legal references and comments of the following items of the CR SEC IRB and CR SEC SA templates should be amended as follows:</p> <p>1) The legal references & comments associated to column 1 of the CR SEC SA template should read as follows: "Originator credit institutions must report all the current securitisation exposures originated in the securitisation transaction, irrespective of who holds the positions. As such, on balance sheet securitisation exposures (e.g. bonds, subordinated loans) as well as off-balance sheet exposures (e.g. subordinated credit lines, liquidity facilities, interest rate swaps, CDS, etc.) that have been originated in the securitisation should be reported. In the case of overlapping positions as specified under annex IX part 4 point 5 of Directive 2006/48/EC (e.g. overlapping liquidity facilities) only the position or portion of a position producing the higher risk weighted exposure amounts should be reported. For the row total on balance sheet items the amount reported under this column corresponds to the current amount of securitised exposures, as specified in the answer to Q127 issued by the EU Commission's CRDTG. In case of early amortization clauses, institutions must specify the amount of "investors' interest" as defined in Annex IX part 4 point 19 of the Directive 2006/48/EC."</p> <p>2) The legal references & comments associated to column 5 of the CR SEC SA template should read as follows: "Securitisation positions held by the reporting institution, calculated according to annex IX part 4 points 1, 2, 4 and 5 of Directive 2006/48/EC, without applying credit conversion factors and gross of value adjustments and provisions. Netting only relevant with respect to multiple derivative contracts provided to the same SSPE, covered by eligible netting agreement. In case of early amortization clauses, institutions must specify the amount of "investors' interest" as defined in Annex IX part 4 point 19 of the Directive 2006/48/EC. In synthetic securitisations the securitisation positions held by the originator in the form of on-balance sheet items and/or investor's interest (early amortisation) will be the result of the column computation: (1) + (2) + (3) + (4)."</p> <p>3) The legal references & comments associated to column 1 of the CR SEC IRB template should read as follows: "Originator credit</p>					

	<p>institutions must report all the current securitisation exposures originated in the securitisation transaction, irrespective of who holds the positions. As such, on balance sheet securitisation exposures (e.g. bonds, subordinated loans) as well as off-balance sheet exposures (e.g. subordinated credit lines, liquidity facilities, interest rate swaps, CDS, etc.) that have been originated in the securitisation should be reported. In the case of overlapping positions as specified under annex IX part 4 point 5 of Directive 2006/48/EC (e.g. overlapping liquidity facilities) only the position or portion of a position producing the higher risk weighted exposure amounts should be reported. For the row total on balance sheet items the amount reported under this column corresponds to the current amount of securitised exposures, as specified in the answer to Q127 issued by the EU Commission's CRDTG. In case of early amortization clauses, institutions must specify the amount of "investors' interest" as defined in Annex IX part 4 point 70 of the Directive 2006/48/EC."</p> <p>4) The legal references & comments associated to column 5 of the CR SEC IRB template should read as follows: "Securitisation positions held by the reporting institution, calculated according to annex IX part 4 points 1, 2, 4 and 5 of Directive 2006/48/EC, without applying credit conversion factors and gross of value adjustments and provisions. Netting only relevant with respect to multiple derivative contracts provided to the same SSPE, covered by eligible netting agreement. In case of early amortization clauses, institutions must specify the amount of "investors' interest" as defined in Annex IX part 4 point 70 of the Directive 2006/48/EC. In synthetic securitisations the securitisation positions held by the originator in the form of on-balance sheet items and/or investor's interest (early amortisation) will be the result of the column computation: (1) + (2) + (3) + (4)."</p> <p>5) The legal references & comments associated to the row "off balance sheet items and derivatives" of the CR SEC SA and CR SEC IRB templates should read as follows: "Off-balance sheet securitisation positions subject to a conversion factor under the securitisation framework as mentioned in Annex IX part 4 point 2 letter c) and securitisation positions arising from a derivative instrument listed in Annex IV of Directive 2006/48/EC. For liquidity facilities, credit facilities, servicer cash advances and market disruption lines, institutions should provide the undrawn amount. For interest rate and currency swaps they should provide the exposure value according to annex IX part 4 point 3 of Directive 2006/48/EC."</p> <p>6) The legal references & comments associated to the row "on balance sheet items" of the CR SEC SA and CR SEC IRB templates should read as follows: "See CR SA template and Annex IX, part 4, point 2, letters (a) and (b) of Directive 2006/48/EC".</p>
Annex	Example

Area:	CR SEC IRB
Issue:	Column 3 Total outflows / Unfunded credit protection adjusted values (Ga)
Question number:	21/2006
Date of question:	18 December 2006
Question:	In <u>Column 3</u> 'unfunded credit protection adjusted values (Ga)' are being reported as outflows. Where should this outflowing amount be reported subsequently to apply the risk weight of the third party to the involved tranche?
Answer:	Following the general rule for "inflows" and "outflows" the amounts reported under column 3 of the CR SEC IRB template will appear as "inflows" in the corresponding credit risk template (CR SA or CR IRB) and exposure class relevant for the protection provider (i.e. the third party to which the tranche is transferred by means of unfunded credit protection).

Area:	CR SEC IRB
Issue:	Column 38 reference computation of the cap
Question number:	22/2006
Date of question:	18 December 2006
Question:	<u>Column 38</u> : How should the remark '(...) that is considered in the computation of the cap' be interpreted?
Answer:	This remark recalls that the capital requirements stemming from all exposures redistributed via inflows and outflows from the CR SEC IRB template to other credit risk templates (see columns 3 and 8 of the CR SEC IRB template and answer to question 21/2006) should be considered for the computation of the cap.

Area:	CR SEC IRB
Issue:	Revolving exposures with early amortisation provisions
Question number:	23/2006
Date of question:	18 December 2006
Question:	Where should the additional capital requirements for securitisations of revolving exposures with early amortisation provisions be reported?
Answer:	As indicated in the legal references and comments of the CR SEC IRB and CR SEC SA templates the row "early amortization" will include the information to be reported related to the early amortisation provisions in securitisations. As such, for early amortisation provisions, in columns 1 and 5 of the CR

	<p>SEC IRB and CR SEC SA templates the "investors' interest" should be reported. Note that according to Annex IX part 4 point 70 of Directive 2006/48/EC, under the IRB approach, for the undrawn amounts the "investors' interest" to be reported in column 5 already takes into account the credit conversion factors applicable to the pool of undrawn amounts of the credit lines.</p> <p>After the application to the "investors' interest" of the relevant securitisation credit conversion factor (columns 13 to 16 of the CR SEC IRB or columns 15 to 18 of the CR SEC SA) and risk weight (columns 20 to 34 of the CR SEC IRB or columns 22 to 29 of the CR SEC SA), the capital requirements will be reported under column "Total capital requirements before cap".</p>
<p>Actions</p>	<p>For the sake of more clarity on the reporting of early amortisation provisions, the following changes in the legal references and comments of the CR SEC IRB and CR SEC SA templates are proposed:</p> <ul style="list-style-type: none"> • The legal references and comments associated with the item "Securitisation positions: Original exposure pre conversion factors" (column 5) in the CR SEC IRB template should state: <p>"Securitization positions according to annex IX part 4 points 1, 2, 4 and 5 of Directive 2006/48/EC, without applying credit conversion factors and gross of value adjustments and provisions.</p> <p>Netting only relevant with respect to multiple derivative contracts provided to the same SSPE, covered by eligible netting agreement</p> <p>In case of early amortization clauses, institutions must specify the amount of "investors' interest", as defined in Annex IX, part 4, point 70 of Directive 2006/48/EC.</p> <p>For originators in synthetic securitisations will be the result of the column computation: (1) + (2) + (3) + (4)."</p> • The legal references and comments associated with the item "Securitisation positions: Original exposure pre conversion factors" (column 5) in the CR SEC SA template should state: <p>"Securitization positions according to annex IX part 4 points 1, 2, 4 and 5 of Directive 2006/48/EC, without applying credit conversion factors and gross of value adjustments and provisions.</p> <p>Netting only relevant with respect to multiple derivative contracts provided to the same SSPE, covered by eligible netting agreement</p> <p>In case of early amortization clauses, institutions must specify the amount of "investors' interest", as defined in Annex IX, part 4, point 19 of Directive 2006/48/EC.</p> <p>For originators in synthetic securitisations will be the result of the column computation: (1) + (2) + (3) + (4)."</p> • The legal references and comments associated with the item "look-through" of the CR SEC IRB template (column 32) should

	<p>state:</p> <p>“Annex IX part 4 points 58 and 59 of Directive 2006/48/EC. For early amortizations see annex IX part 4 points 68 and 24 of Directive 2006/48/EC.”</p> <ul style="list-style-type: none"> The legal references and comments associated with item “look-through” of the CR SEC SA template (column 28) should state: <p>“Annex IX part 4 points 9, 10, 11, 12 and 24 of Directive 2006/48/EC. The look-through columns comprise all the cases of unrated exposures where the risk weight is obtained from the underlying portfolio of exposures (average risk weight of the pool, highest risk weight of the pool, or the use of a concentration ratio).”</p>
--	--

Area:	CR SEC IRB
Issue:	Use of the look through approach for off balance sheet items and derivatives for originators
Question number:	24/2006
Date of question:	29 December 2006
Question:	In which specific column (among columns 20 to 32) can an originator report the risk weighting treatment given to the exposure value of a liquidity facility subject to the treatment laid down in Annex IX, part 4 points 58 and 59 of the Directive 2006/48/EC? According to the legal references provided, column 32 seems to be answer but this column is grey shaded for the row off balance sheet items and derivatives (where also according to the legal references & comments the liquidity facilities should be reported)
Answer:	<p>According to the legal references & comments of the CR SEC IRB template, the undrawn amount of the liquidity facilities should be reported in the row “Off balance sheet items and derivatives”.</p> <p>As long as an originator would be under the exceptional treatment where Kirb cannot be calculated, then column 32 would be, according to the legal references & comments, the right column to use for the reporting of the risk weighting treatment given to the exposure value of a liquidity facility subject to the treatment laid down in Annex IX, part 4 points 58 and 59 of the Directive 2006/48/EC.</p>
Actions	In column 32 the cells corresponding to rows “Off balance sheet items and derivatives” and “Originator: Total exposures” should not be grey shaded.

Area:	OPR LOSS Details
-------	------------------

Issue:	Figures relating to law suits against the credit institution
Question number:	1/2007
Date of question:	11 January, 2007
Question:	When do credit institutions have to report law suits against them? Should they report all cases exceeding the threshold specified by the supervisor irrespective of the probability of a negative outcome? Should the gross amount to be reported under column 2 be equal to the amount claimed against the institution even if the institution expects a case to be settled at a lower amount? Does the figure in column 3 (of which unrealized) represent the difference between the figure of column 2 (gross loss amount) and the provision made by the institution through a charge in its Profit and loss account?
Answer:	<p>Fourth question: As specified in the legal references & comments associated to the item "Of which: unrealized", in column 3, the part of the gross loss amount not yet accounted for should be reported. As such, this amount would be the part of the gross loss not yet recognized in the financial statements (equity components of the balance sheet and, particularly, reserves and P&L) regardless of the accounting framework or policies as to value adjustments and provisions.</p> <p>Regarding the other three questions it may be worth making the following comments, bearing in mind that it is beyond the scope of the implementation questions to the COREP Framework to issue interpretations on the Directives:</p> <p>First and second questions: The OPR LOSS Details template includes information on the operational risk losses which, according to the provisions in Annex X of Directive 2006/48/EC, have been recorded in the operational risk database. This template does not add qualifications (even for law suits) on the recognition of operational losses, on the contrary, it only requires credit institutions to report those major losses (over a threshold following the requirements specified by each competent authority) recorded in the operational risk data base in the last year or which are still open (whenever they were recorded).</p> <p>Third question: The gross amount of the operational risk losses, as mentioned in Annex X, part 3 point 16 of the Directive 2006/48/EC, must be calculated in accordance to the criteria specified in the abovementioned Directive, the interpretation of which is beyond the scope of the reporting framework.</p>

Area:	MKR SA template
Issue:	Position risk in Collective Investment Undertakings
Question number:	2/2007
Date of question:	January, 2007
Question:	If an institution applies the specific approach for position risk in CIUs, as defined in Directive 2006/49/EC, Annex I, point 48, first sentence (the

	direct capital requirement of 32%), in which table should this capital requirement be reported considering that the CIU invests both in equities and traded debt instruments?
Answer:	<p>Contrary to the methods specified in points 53 to 55, the treatment specified for positions in CIUs in Directive 2006/49/EC, Annex I, point 48, first sentence, does not take into account the nature of the assets where the CIUs might invest. Therefore, the reporting of the CIUs subject to this latter treatment should not consider at all the type of investments of the CIUs.</p> <p>As such, all CIUs subject to the treatment specified in Directive 2006/49/EC, Annex I, point 48, first sentence should be reported in the MKR SA EQU template irrespective of their type of investments.</p>
Actions	<ul style="list-style-type: none"> • The legal reference & comments associated with the item "Particular approach for position risk in CIUs" in the MKR SA EQU template should read as follows: <p>"Annex I points 47-56 of Directive 2006/49/EC. Applicable when positions in CIUs or the underlying instruments are not treated in accordance with the methods set out in annex V of Directive 2006/49/EC. It includes, if it is the case, the effects of applicable caps in the capital requirements. It also includes the positions in CIUs subject to the treatment specified in Annex I, point 48 first sentence of Directive 2006/49/EC, irrespective of the type of assets where the CIUs might invest".</p> • The legal reference & comments associated with the item "Particular approach for position risk in CIUs" in the MKR SA TDI template should read as follows: <p>"Annex I points 47-56 of Directive 2006/49/EC. Applicable when positions in CIUs or the underlying instruments are not treated in accordance with the methods set out in Annex V of Directive 2006/49/EC. It includes, if it is the case, the effects of applicable caps in the capital requirements. It excludes the positions in CIUs subject to the treatment specified in Annex I, point 48 first sentence of Directive 2006/49/EC.".</p>

Area:	CA template
Issue:	Items 1.8.1.1* , 1.8.1.1** and 1.8.1.1***
Question number:	3/2007
Date of question:	February, 2007
Question:	The three "of which items" 1.8.1.1* , 1.8.1.1** and 1.8.1.1*** do not contain any comments or legal references. We need clarification about the contents of these items.
Answer:	<ul style="list-style-type: none"> • Current item 1.8.1.1* "Of which: General provisions /Collective impairment": This item includes the general provisions mentioned in

paragraph 380 of the BCBS document "*International Convergence of Capital Measurement and Capital Standards: A Revised Framework - Comprehensive Version*" published in June 2006. For those reporting institutions under IAS-type accounting framework the Collective impairment is similar to the "Allowances for collectively assessed financial assets (includes allowances for incurred but not reported losses)" in the FINREP package.

- **Current item 1.8.1.1**** "Of which: Specific provisions /Individual impairment": This item includes the specific provisions mentioned in paragraph 380 of the BCBS document "*International Convergence of Capital Measurement and Capital Standards: A Revised Framework - Comprehensive Version*" published in June 2006. For those reporting institutions under IAS-type accounting framework the Collective impairment is similar to the "Allowances for individually assessed financial assets (includes allowances for incurred but not reported losses)" in the FINREP package.
- **Current item 1.8.11***** "Of which: Credit revaluation reserves": This item, as originally devised, was referring to the credit revaluation reserves mentioned in the BCBS working document "*Modifications to the capital treatment for expected and unexpected credit losses in the New Basel Accord*" published on 30 January 2004. As the final BCBS document "*International Convergence of Capital Measurement and Capital Standards: A Revised Framework - Comprehensive Version*" published in June 2006 no longer uses this concept, it is proposed to remove this item and substitute it by a new item labeled: "Of which: Other and country specific value adjustments and provisions included in the calculation of the IRB provision excess(+)/shortfall(-)" that allows reporting flexibility as for any additional value adjustment or provision included in the calculation of the IRB provision excess(+)/shortfall(-) mentioned in Annex VII, part 1, point 36 of Directive 2006/48/EC.

Actions

In order to improve the link with the FINREP package and further clarify the content the labels and the legal references and comments of items 1.8.1.1*, 1.8.1.1** and 1.8.1.1*** should be modified to the following:

ID	Label	Legal References & Comments
1.8.1.1*	<p style="text-align: center;"><i>Of which:</i> <i>General provision /</i> Allowances for collectively assessed financial assets</p>	<p>General provisions as mentioned in paragraph 380 of the BCBS document "<i>International Convergence of Capital Measurement and Capital Standards: A Revised Framework - Comprehensive Version</i>" published in June 2006. / ≈ FINREP: Allowances for collectively assessed financial assets (includes allowances for incurred but not reported losses).</p>

	1.8.1.1**	<i>Of which: Specific provision / Allowances for individually assessed financial assets</i>	Specific provisions as mentioned in paragraph 380 of the BCBS document "International Convergence of Capital Measurement and Capital Standards: A Revised Framework - Comprehensive Version" published in June 2006. / ≈ FINREP: Allowances for individually assessed financial assets.
	1.8.1.1***	<i>Of which: Other and country specific value adjustments and provisions included in the calculation of the IRB provision excess(+)/shortf all(-)</i>	Includes any value adjustment or provision included in the calculation of the IRB provision excess(+)/shortfall(-) mentioned in Annex VII, part 1, point 36 of Directive 2006/48/EC not reported in items 1.8.1.1* or 1.8.1.1**.

Area:	CR SA template
Issue:	Footnote (a) associated to the additional breakdown of exposures subject to a 50%, 100% and 150% risk weight.
Question number:	4/2007
Date of question:	February, 2007
Question:	Why according to footnote (a) the additional breakdown of exposures subject to a 50%, 100% and 150% risk weight can only apply for the data reported according to the IRB exposure classes' breakdown and for the Total exposure class? Specifically, what is the reasoning of having this rule in the case of the item "Of which: without credit assessment by a nominated ECAI"?
Answer:	<p>In the case of the items "Of which: past due", "Of which: secured by commercial real estate" and "Of which: secured by real estate", the footnote (a) avoids the duplication of reporting when the SA exposure classes breakdown is used. It is worth noting for this that the SA exposure classes breakdown refers to the exposure classes mentioned in article 79 (1) of Directive 2006/48/EC plus the "Total" (see legal references and comments of the CR SA template). As such, the information of these 3 items, if requested, would overlap with the one already provided by the SA exposure classes breakdown.</p> <p>On the contrary, in the case of the item "Of which: without credit assessment by a nominated ECAI" the information requested does not overlap with the one provided by the SA exposure classes and could</p>

	provide useful information on the reasons underlying a 50% or 100% risk weighting.
Actions	The reference to footnote (a) in the item "Of which: without credit assessment by a nominated ECAI" in the CR SA template should be removed.

Area:	CR EQU IRB Template		
Issue:	Legal references of columns 2 and 9		
Question number:	Q5/2007		
Date of question:	February 2007		
Question:	<p>1) Why does the legal reference of column 2 of the CR EQU IRB Template ("Original Exposure Pre-Conversion Factors") refer to annex VII part 1 point 19 of Directive 2006/48/EC for the simple risk weight method?</p> <p>2) Why do columns 2 and 9 have the same legal references for the PD/LGD approach? Note that column 2 refers to the "original exposure value pre conversion factors" while column 9 refers to the "exposure value" (i.e. exposure after considering credit risk mitigation (CRM) techniques and conversion factors).</p>		
Answer:	<p>1) Annex VII part 1 point 19 of Directive 2006/48/EC refers to the calculation of the risk weighted exposure amount under the simple risk weight approach. Since under column 2 the original exposure pre-conversion factors should be reported, it is apparent that there is a typo in the legal reference that should be addressed. The appropriate legal reference for column 2 when the simple risk weight approach is used should be annex VII part 3 point 12 and annex VII part 1 point 20 of Directive 2006/48/EC, as the latter reference deals with the offsetting of long and short positions when determining the original exposure.</p> <p>2) Since under column 9 the "exposure value" should be reported, the legal references should take into account not only how the original exposure is determined according to each method (legal reference of column 2), but also how the CRM techniques apply in each case (specifically, annex VII part 1 point 21 for the simple risk weight approach and point 24 for the PD/LGD approach).</p>		
Actions:	<p>The legal references of the following columns should be amended as follows:</p> <p>1) Column 2 "Original Exposure Pre-Conversion Factors":</p> <table border="1" data-bbox="491 1854 1492 2018"> <tr> <td>ORIGINAL EXPOSURE PRE CONVERSION FACTORS</td> <td>For the PD LGD and simple risk weight approach see annex VII part 3 point 12 of Directive 2006/48/EC. For the simple risk weight approach, see also annex VII part 1 point 20 of Directive</td> </tr> </table>	ORIGINAL EXPOSURE PRE CONVERSION FACTORS	For the PD LGD and simple risk weight approach see annex VII part 3 point 12 of Directive 2006/48/EC. For the simple risk weight approach , see also annex VII part 1 point 20 of Directive
ORIGINAL EXPOSURE PRE CONVERSION FACTORS	For the PD LGD and simple risk weight approach see annex VII part 3 point 12 of Directive 2006/48/EC. For the simple risk weight approach , see also annex VII part 1 point 20 of Directive		

		2006/48/EC.
	2) Column 9 "Exposure value":	
	Exposure value	For PD/LGD approach, see annex VII part 3 point 12 and annex VII part 1 point 24 of Directive 2006/48/EC. For the simple risk weight approach, see annex VII part 3 points 12 and annex VII part 1 points 20 and 21 of Directive 2006/48/EC.

Area:	OPR template
Issue:	Calculation rule specified for column 9
Question number:	6/2007
Date of question:	March, 2007
Question:	Provided that, following the convention of signs, the figures to be reported under columns 10 and 11 of the OPR template are non positive, shouldn't the calculation rule for column 9 then be $9=7-10-11$?
Answer:	Certainly, the calculation rule for the memorandum item "capital requirements before alleviation due to expected loss and risk transfer mechanisms"(column 9) should reflect that the amounts reported under columns 10 and 11 should be subtracted from the "Capital requirements" (column 7).
Actions	The calculation rule specified for column 9 below the label should be amended to read: $9=7-10-11$.

Area:	OPR Details and OPR loss Details templates
Issue:	Scope of application of the templates
Question number:	7/2007
Date of question:	April, 2007
Question:	Could you please clarify whether the templates OPR Details and OPR LOSS Details are only intended for institutions which are using the Advanced Measurement Approach?
Answer:	Provided there is no explicit indication in the CEBS Guidelines on Common Reporting as to the scope of application of these templates in

	relation to the applied methods for calculating the operational risk capital requirements, this decision should fall under the discretion of the competent authorities, as mentioned in the cover note to the Framework for Common Reporting of the New Solvency Ratio included in the abovementioned CEBS Guideline: <i>"Thus each country will retain some national flexibility on implementation issues such as frequency, scope, level of detail, and implementation date."</i>
--	---

Area:	CA template
Issue:	Reporting of instruments eligible as original own funds and classified as debt under the IAS-type accounting rules.
Question number:	8/2007
Date of question:	April, 2007
Question:	<p>1) The legal references and comments associated to item 1.1.1.4 "Other instruments eligible as capital" of the CA template states that <i>"This item includes the instruments eligible as original own funds but classified as debt under the IAS-type accounting rules"</i>. In addition the same legal references and comments includes a reference to Article 57, sentence 1 lit.(a) of Directive 2006/48/EC. Do these legal references and comments mean altogether that all instruments eligible as original own funds but classified as debt under the IAS-type accounting rules should be reported in item 1.1.1.4 in addition to the instruments falling under article 57, sentence 1 lit.(a) of Directive 2006/48/EC or, on the contrary, they should be read as indicating that instruments falling under article 57, sentence 1 lit.(a) of Directive 2006/48/EC should be included in item 1.1.1.4 even if under the IAS-type accounting rules they are classified as debt instruments?</p> <p>2) Should instruments eligible as original own funds issued by group affiliates or SPVs and classified as debt under the IAS-type accounting rules be reported under item 1.1.2.2 "Minority interest"?</p>
Answer:	<p>Regarding the first subquestion the legal reference and comments associated to item 1.1.1.4 "Other instruments eligible as capital" of the CA template should be read as indicating that instruments falling under article 57, sentence 1 lit.(a) of Directive 2006/48/EC should be included in item 1.1.1.4 even if under the IAS-type accounting rules they are classified as debt instruments.</p> <p>Regarding the second subquestion, the legal references and comments associated to item 1.1.2.2 "Minority interest" imply that only instruments accounted for as minority interest under the relevant accounting rules could be reported under this item and therefore no instrument classified as debt under the accounting rules should be included in it.</p>
Actions	In order to further clarify the meaning of the legal reference and comments associated to item 1.1.1.4 "Other instruments eligible as capital" of the CA template , the following amended wording is proposed:

	<p>Article 57, sentence 1 lit.(a) of Directive 2006/48/EC even if the instruments are classified as debt under the IAS-type accounting rules.</p> <p>See also Guidelines on Prudential Filters for Regulatory Capital (CEBS, 21.12.2004) due to the application of IAS-type accounting rules.</p> <p>≈ FINREP: Includes amongst others the item "Other equity:other" and "share capital repayable on demand (e.g. cooperative shares)".</p>
--	--

Area:	CR EQU IRB Template
Issue:	Equivalency of equity exposure in columns 7, 8 and 9, 10
Question number:	9/2007
Date of question:	April 2007
Question:	Is the exposure in columns 7 and 8 identical as exposure value in columns 9 and 10?
Answer:	The exposure value for equity exposures is the value presented in the financial statements according to Annex VII, part 3, point 12. In the case of equity off-balance sheet exposures it is not calculated by using conversion factors as it is the case in the calculation of the exposure value for off-balance sheet items for exposures to corporates, institutions, central governments and central banks and retail as mentioned in Annex VII, part 3, points 9 to 11. The exposure value for equity exposure takes into account only the effects of unfunded credit protection and offsetting positions laid down in Annex VII, part 1, points 20 and 21. Therefore, the content of columns 7 and 8 is always equal to that in columns 9 and 10, respectively.
Actions:	To avoid redundancies in the reporting and to be more in line with the legal provisions in the Directive 2006/48/EC, all the cells of columns 7 and 8 should be grey shaded in the CR EQU IRB template so no data is requested under these two columns.

Area:	MKR IM template
Issue:	Several models
Question number:	10/2007
Date of question:	April, 2007
Question:	When an institution has more than 1 market risk model, how should the template MKR IM be filled in considering that there might be a separate multiplication factor for each model?
Answer:	In the case an institution is recognized by the competent authorities to use multiple models, each of them with its own multiplication factor, instead of an integrated single model, then the information for the

	aggregation of these various models, if requested, should be reported with the following qualifications: the information under columns 6 and 7 should not be reported, also in this case the calculation rule included for column 5 does not necessarily hold.
Actions	As a common implementation suggestion for those national authorities willing to receive individual information on the different models recognized, it is suggested to include in the MKR IM template an additional dimension that would identify each individual model and would reflect their scope of application (see in the annex the suggested amended MKR IM template and its corresponding legal references & comments).

Area:	MKR SA FX
Issue:	Content of "Total positions in non-reporting currencies"
Question number:	11/2007
Date of question:	April, 2007
Question:	<p>The template about Foreign Exchange refers to the annex III of the directive 32006L0049. In the template from CEBS, the first row corresponds to "TOTAL POSITIONS IN NON-REPORTING CURRENCIES". I was wondering if the reporting currency are:</p> <ol style="list-style-type: none"> 1) including 2) excluding of the full report 3) excluding only of the capital requirement calculations and display in the part "Memorandum items: currency positions".
Answer:	<p>The third option is the correct one.</p> <p>According to annex III point 2.2 of Directive 2006/49/EC, all net positions in each currency other than the reporting currency, as well as the net position in gold, should be taken into account when determining the overall foreign-exchange position for the purpose of calculating the own funds requirements against foreign-exchange risk. Consequently, columns 7, 8, 9 and 10 of the MKR SA FX template are only available (i.e. not grey shaded) for the row "TOTAL POSITIONS IN NON-REPORTING CURRENCIES" and, when relevant, for its breakdown.</p> <p>Finally, even though the reporting currency does not enter in the determination of the overall foreign-exchange position for the purpose of calculating the own funds requirements against foreign-exchange risk, positions in the reporting currency are requested as memorandum items following annex III point 2.1 of Directive 2006/49/EC where it is stated that: "the institution's net open position in each currency (including the reporting currency) and in gold shall be calculated".</p>

Area:	CR SEC SA
Issue:	Reporting of securitisation transactions
Question number:	12/2007
Date of question:	May, 2007
Question:	<p>Could you please clarify how the reporting should be made in the following examples (A. and B.).</p> <p>CASE A</p> <p>Originator bank pools together mortgage loans worth 1.000, which are sold to a special purpose vehicle (SPV). This is a true sale (a change of ownership). The originator receives cash in exchange for the transfer of the assets. To fund this acquisition the SPV issues asset-backed notes which are divided into senior (850), mezzanine (120) and first loss (30). The originator bank buys back the first loss tranche in order to achieve a high credit rating on the asset-backed notes (credit enhancement). The SPV receives cash. The notes are rated by rating agency. Senior tranche gets 20% risk weight, mezzanine gets 50% risk weight but the first loss tranche is not rated. There is no maturity mismatch.</p> <p>CASE B</p> <p>Under the same assumption as in point A., but this is not a true sale, i.e. the SPV is the originator's subsidiary.</p>
Answer:	<p>Traditional securitisations for which significant risk transfer is recognized according to the provisions laid down in Annex IX, part 2, point 1 of Directive 2006/48/EC may be reported under the CR SEC SA or CR SEC IRB templates. If significant risk transfer is not recognized then the credit risk of the securitised exposures should be reported in the appropriate template as if they had not been securitised.</p> <p>As the Directive does not explicitly link the recognition of significant credit risk transfer to the fact the SPV is an originator's subsidiary, then no distinction will be made among case A and B. In any event, the interaction of the recognition of significant credit risk transfer with the subsidiary nature of the SPV is a matter out of the scope of the reporting that, if deemed appropriate, should be raised to the appropriate fora dealing with the interpretations of the Directive. As such, in order to fill in the templates with the proposed example it will be assumed that significant risk transfer is recognized.</p> <p>For the completion of the templates it is additionally assumed:</p> <p>A) The originator would have applied the standardised approach for the mortgage loans so the CR SEC SA template is used.</p> <p>B) A 1250% risk weight is applied to the unrated position.</p> <p>C) The credit institution decides not to deduct from own funds the exposure value of the position pursuant to annex IX, part 4, point 35 of Directive 2006/48/EC.</p>

	D) The risk-weighted exposure amount that would be calculated for the securitised exposures had they not been securitised is higher than the risk weighted exposure amounts of the retained first loss tranche. Therefore the capital requirements reported under columns 31 and 33 of the CR SEC SA templates is the same.
Annex	Example

Area:	CA
Issue:	Item 2 "capital requirements".
Question number:	13/2007
Date of question:	23 May 2007
Question:	What is the reason for having item 2.5. "capital requirements related to fixed overheads" in the formula for item 2. "capital requirements", for other credit institutions than those referred to in articles 20(2),20(3) and 46 of Directive 2006/49/EC?
Answer:	According to the legal references and comments associated to item 2.5 of the CA template, this item is only available for investment firms falling under articles 20(2), 24, 20(3), 25 and 46 of Directive 2006/49/EC for which the amount laid down in article 21 of Directive 2006/49/EC is applicable for the purpose of calculating minimum capital requirements according to the decisions adopted by the competent authorities. As such, item 2.5 only effectively enters in the calculation rule of item 2 "Capital requirements" in the case of investment firms for which item 2.5 is available according to the abovementioned criteria. In any other case, as no data is reported under item 2.5 the general formula provided would be equivalent to $=2.1+2.2+2.3+2.4+2.6$.

Area:	MKR SA EQU
Issue:	Content of column 3
Question number:	14/2007
Date of question:	31 May 2007
Question:	What is the exact content of column 3? How can be expressed relations among columns 1 to 6?
Answer:	Under column 3 of the MKR SA EQU template the reduction effect on the net positions caused by the reduction factors mentioned in annex I, point 41, table 4 of Directive 2006/49/EC should be reported, if applicable. As the MKR SA EQU template does not ask for detailed information on the distribution of underwritten positions according to reduction factors no explicit relation among the contents of columns 1 to 6 can be

	expressed in the templates as a calculation rule.
Actions	The legal references & comments associated to column 3 of the MKR SA EQU and MKR SA TDI templates should read as follows: "Reduction effect on the net positions caused by the reduction factors mentioned in annex I, point 41, table 4 of Directive 2006/49/EC."

Area:	MKR IM Details template
Issue:	Specific risk code
Question number:	15/2007
Date of question:	May, 2007
Question:	In column 1, an institution has to provide the instrument code indicating the instruments covered by the model. If in column 1 is indicated that the model covers debt instruments, the taxonomy requires a code to be filled in column 2. As the model is not covering the positions in equity, which code should be used?
Answer:	It is worth clarifying that, as a general rule concerning all COREP templates, if a certain COREP item or template does not apply to the reporting institution (because the reporting institution does not apply certain methods, it is not exposed to certain risks, etc.), this item or template should be left blank (not reported) unless otherwise explicitly noted in the specific legal references & comments associated to it. Therefore, since no explicit indication against this abovementioned general principle is given in the legal references & comments of the MKR IM Details template, in case the internal model of the reporting institution does not cover the positions in equities, no code should be provided under column 2 of this template.
Actions	Apparently version 1.2.4 of the COREP XBRL taxonomy is introducing reporting restrictions not included in the CEBS guidelines on COREP. (namely the requirement to always provide a code for column 2). Therefore, this bug in the XBRL taxonomy will be transmitted to the XBRL operational network so that it can be fixed in the next release of the COREP XBRL taxonomy.

Area:	CA
Issue:	Large exposures
Question number:	16/2007
Date of question:	7 June 2007
Question:	What is the reason for deducting capital amounts for backing any overshooting of the large exposure limits in the trading book ("item 1.6.6") from own funds?

	<p>Shouldn't those capital amounts be added to capital requirements ("item 2") according to the provisions laid down in article 31 lit (b) of Directive 2006/49/EC?</p> <p>Article 31 lit (b) of Directive 2006/49/EC:</p> <p>"... the institution meets an additional capital requirement on the excess in respect of the limits laid down in Article 111 (1) and (2) of Directive 2006/48/EC..."</p>
Answer:	<p>For the competent authorities that have authorised the limits laid down in articles 111 to 117 of Directive 2006/48/EC to be exceeded on the condition that an additional capital requirement is calculated in accordance to Annex VI as mentioned in article 31 lit. (b) of Directive 2006/49/EC, this additional capital requirement may be reported in item 2.6.3 of the CA template as mentioned in the legal references and comments of that item. As such, this capital requirement will be one of the components, among others, of the "Capital requirements" in item 2.</p> <p>Item 1.6.6 is a country specific item devoted for those competent authorities that in their national transposition have adopted, instead of the abovementioned treatment, the prudential approach that the excess in respect of the limits laid down in article 111 (1) and (2) of Directive 2006/48/EC, mentioned in article 31 lit. (b) of Directive 2006/49/EC, should be deducted from Own funds specific to cover market risks and therefore should be entirely covered by own funds.</p>
Actions	<p>The legal reference and comments of item 2.6.3 of the CA template should read as follows:</p> <p>"Without link to any template. Among others, additional capital requirements mentioned in article 31 lit (b) of Directive 2006/49/EC might be included. It also introduces national flexibility."</p>

Area:	MKR SA FX template
Issue:	Tolar currency
Question number:	17/2007
Date of question:	June, 2007
Question:	In the memorandum items of the MKR SA FX template, there is a row (under ERM2 currencies) dedicated to the Slovenian tolar (SIT). Does this row make sense after Slovenia adopted the euro in 1 January 2007?
Answer:	Currency positions in the ERM2 (second stage of the Exchange Rate Mechanism) currencies are required as memorandum items in the MKR SA FX template. At present, since Slovenia adopted the euro on 1 January 2007, only 7 currencies fall into this mechanism (namely, the Danish krone (DKK), the Estonian kroon (EEK), the Lithuanian litas (LTL), the Cyprus pound (CYP), the Latvian lat (LVL), the Maltese lira (MTL) and the Slovak koruna (SKK)).

Actions	The row "SIT" , under the memorandum item "ERM2 currencies" in the MKR SA FX template, should be removed .
---------	--

Area:	OPR LOSS Details
Issue:	Losses in OPR LOSS Details
Question number:	18/2007
Date of question:	14 June 2007
Question:	In OPR LOSS Details template losses still open means either losses recorded last year or earlier or refers to losses recorded this year too?
Answer:	It refers to any operational risk loss still opened at the reporting date.

Area:	OPR Details
Issue:	Use of OPR Details
Question number:	19/2007
Date of question:	14 June 2007
Question:	OPR Details template refers to those institutions using AMA only or SA/ASA too?
Answer:	See answer to question 7/2007 copied below for convenience: Provided there is no explicit indication in the CEBS Guidelines on Common Reporting as to the scope of application of these templates in relation to the applied methods for calculating the operational risk capital requirements, this decision should fall under the discretion of the competent authorities, as mentioned in the cover note to the Framework for Common Reporting of the New Solvency Ratio included in the abovementioned CEBS Guideline: <i>"Thus each country will retain some national flexibility on implementation issues such as frequency, scope, level of detail, and implementation date."</i>

Area:	CR SA
Issue:	Reporting of repo's in case of Master Netting Agreement
Question number:	20/2007
Date of question:	18 June 2007
Question:	According to Annex VIII, Part 3, 1.3.1, 11. (page 140)

	$E^* = \max\{0, [(Sum(E) - Sum(C)) + Sum(\dots) + \dots]\}$ <p>I am not 100% sure which value has to be allocated in the line "Securities Financing Transactions & Long Settlement Transactions", column 1.</p> <p>I think it should be only (Sum(E)-Sum(C)).</p> <p>Could you please confirm?</p>
Answer:	<p>As specified in the legal references and comments associated to column 1 of the CR SA template: in the case of master netting agreements covering repurchase transactions and / or securities or commodities lending or borrowing transactions and/ or other capital market driven transactions subject to annex VIII of Directive 2006/48/EC, the effect of Funded Credit Protection in the form of master netting agreements as under annex VIII part 3 point 22 of Directive 2006/48/EC shall be included in column 1. Therefore, in the case of master netting agreements covering repurchase transactions subject to the provisions in annex VIII, part 3, E* as calculated under points 5 to 21 should be reported in column 1 of the CR SA template.</p>

Area:	MKR SA EQU
Issue:	Column 6 "Net positions subject to capital charge"
Question number:	21/2007
Date of question:	July 2007
Question:	<p>Template MKR SA EQU, Column 6 mentions the "Net positions subject to capital charge". However, capital requirements for specific risk have to be calculated according to the <u>gross</u> positions in equities. Which amount should be filled in column 6 for the line "2 Specific risk", as this column only mentions <u>net</u> positions?</p>
Answer:	<p>"Net positions" refer to the <u>netting by instruments</u> mentioned in Annex I point 1 of Directive 2006/49/EC (CAD) and are reported under columns 4 and 5.</p> <p>On the other hand, the "overall gross position" and the "overall net position" referred to in point 33 are calculated in order to work out the capital requirement, and such positions are meant to be reflected in column 6, row 1 (general risk) and row 2 (specific risk) respectively.</p> <p>Besides, if requirements mentioned in Annex I points 39 and 40 were accomplished, specific risk of stock-index futures could be ignored as regards capital requirements, and thereby, would not be reported under column 6 in row 2.</p>

Area:	OPR
-------	-----

Issue:	Gross income
Question number:	22/2007
Date of question:	7 July 2007
Question:	Regarding operational risk could you please clarify whether the three-year average for gross income is calculated on the basis of the last three twelve-monthly observations, i.e. the last 36 months before the reporting date, or last three twelve-monthly observations at the end of last year. For instance, when calculating the average for the reporting date March 31, 2007, it is the average from April 1, 2004 to March 31, 2007 or in the latter case the whole years 2004-2006?
Answer:	As pointed out in the legal references & comments associated to the item "Gross income", the provisions mentioned in Annex X part 1 points 2-9 and part 2 point 2 of Directive 2006/48/EC should be considered. For the particular question posed, the provisions laid down in Annex X part 1 point 3 and part 2 point 2 of Directive 2006/48/EC are of particular interest as they indicate that: <i>"The three-year average is calculated on the basis of the last three twelve-monthly observations at the end of the financial year."</i> . In any event it is worth noting that questions regarding the interpretation of the Directives' provisions should be dealt, if it is the case, by the appropriate fora.

Area:	CR IRB
Issue:	Average PD
Question number:	23/2007
Date of question:	13 July 2007
Question:	The CR IRB template requires that an average pd be calculated for total exposure (line 14) and for each exposure type (line 16 to 20). These figures very much depend on the amount of exposure that are in default since those exposure have a pd of 100% whereas the pd of rest of the portfolio is more than 100 times lower in general. If PD of defaulted counterparts are to be considered in the average calculation, then the average pd of the portfolio (which is a sensitive indicator) will very much depend on the write off policy of the bank. Should the defaulted exposures be considered in the calculation of average pd in IRB templates?
Answer:	To keep consistent with the calculation rules of the COREP Framework, all exposures assigned to obligor grades or pools should be considered.

Area:	CR SA
Issue:	Template breakdown
Question number:	24/2007

Date of question:	13 July 2007
Question:	As described in the COREP legal references and in some implementation questions, the COREP CR SA template design allows using either SA exposure classes or IRB exposure classes as exposure classes' breakdown. Reading a published CR SA template, how is it possible to identify which breakdown (SA/IRB) has been considered to produce it? This question more particularly focuses on classes that share the same name but have distinct perimeters in the SA breakdown (as defined in Directive 2006/48/EC article 79) and the IRB breakdown (as defined in Directive 2006/48/EC article 86): corporate, institutions, central governments and central banks...
Answer:	As pointed out in the answer to Q11/2006 <i>"competent authorities are free to choose which of the two available breakdowns should apply for each institution when reporting exposures under the SA and are also free to decide how to implement this option in their jurisdiction."</i> As such, a first source of information in order to identify which breakdown has been used could be the implementation decisions taken by the national competent authorities. Additionally, which breakdown has been used can also be identified by means of the link of the data reported under the CR SA template with the CA template (see items 2.1.1.1.a.01 to 2.1.1.1.a.15 for the SA exposure classes breakdown and 2.1.1.1.b.01 to 2.1.1.1.b.06 for the IRB exposure classes breakdown).

Area:	CR IRB
Issue:	Principle for calculation of average
Question number:	25/2007
Date of question:	13 July 2007
Question:	In the CR IRB template, as mentioned in the item labels and legal references, columns 1, 21 and 22 require to compute "exposure weighted average" values (on a pool of exposures), respectively of the probability of default, the loss given default and the maturity. For each of these items, which "exposure" has to be considered? Is it the original exposure pre conversion factors (column 2), the exposure after CRM substitution effects pre conversion factors (column 9) or the exposure value / exposure at default (column 11)?
Answer:	The exposure value (column 11) should be used for the calculation of the exposure-weighted averages.

Area:	CR SA
Issue:	Guarantor risk weighting
Question number:	26/2007
Date of question:	13 July 2007

Question:	<p>COREP provisions on guarantee substitution effects prescribe the transfer of the covered part of the portfolio as an outflow towards the asset class of the guarantor (the same amount is for the latter's asset class sheet an inflow). Suppose a bank chooses to apply the SA approach for its corporate portfolio while implementing IRB for the banking portfolio. The question is: What risk weighting approach shall be applied to the covered part of a corporate exposure by a banking guarantee? If the risk weighting of the guaranteed part follows the methodology of the corporate exposure (SA), then we will transfer the substituted part, for which RWA is computed according to SA, into "Claims or contingent claims on institutions" sheet which according to the approach we chose for the banking exposures will be a CR IRB. How can we handle this situation?</p>
Answer:	<p>As to the first sub-question it is worth noting that COREP implementation questions do not deal with the interpretation of the relevant CRD provisions as to which risk weighting treatment (SA or IRB) should be given to the covered part of an exposure treated under the SA for which a guarantee is provided by a protection provider belonging to an exposure class under the IRB approach. This issue should be dealt, if it is the case, by the appropriate fora dealing with the interpretation of the CRD.</p> <p>In any case, the substitution effect in the COREP reporting framework should reflect the risk weighting treatment effectively applicable to the covered part of the exposure. As such, if as suggested by the example referred to in the second sub-question, the covered part of the exposure is risk weighted according to the SA approach, then it should be reported in the CR SA template (exposure class claims or contingent claims on institutions, as defined under article 79 of Directive 2006/48/EC). If, on the contrary, the covered part of the exposure is risk weighted according to the IRB approach then it should be reported in the CR IRB template (exposure class claims or contingent claims on institutions, as defined under article 86 of Directive 2006/48/EC)</p>

Area:	MKR SA EQU						
Issue:	General risk - net positions						
Question number:	27/2007						
Date of question:	31/7/2007						
Question:	<p>With regard to the total table MKR SA EQU, given the following positions what should be reported in line 1 "general risk" and columns 4 and 5?</p> <p>Curr1:</p> <table data-bbox="941 1814 1212 1926" style="margin-left: auto; margin-right: auto;"> <tr> <td></td> <td>Long</td> <td>short</td> </tr> <tr> <td></td> <td>(4)</td> <td>(5)</td> </tr> </table> <p>1.1 exch trd stock-ind fts... 100</p>		Long	short		(4)	(5)
	Long	short					
	(4)	(5)					

	<p>1.2 other equities... 75</p> <p>Curr2:</p> <p style="padding-left: 100px;">Long short</p> <p style="padding-left: 100px;">(4) (5)</p> <p>1.1 exch trd stock-ind fts... 40</p> <p>1.2 other equities... 80</p>
Answer:	<p>A prior clarification to the question is that the template MKR SA EQU foresees that competent authorities may decide that long or short positions can be calculated on a market-by-market basis, so the references in the question to currencies shall be understood as different national markets.</p> <p>There are two different possibilities of reporting, because the rules of calculating the net positions according to the Basel framework may differ from the computation according to the Directive 2006/49/EC. Paragraph 718(xx) of the Basel Framework requires banks to calculate the net position on a market-by-market basis. Annex I point 36 of Directive 2006/49/EC does not explicitly instruct institutions how to calculate the net position.</p> <p>In any case, with respect to the question, such different interpretations do not have an impact on the reporting in row 1 (General risk), columns 4 and 5. The sum of the amounts of 1.1 and 1.2 has to be reported in both columns.</p> <p>In the excel file "Q 27 2007 Annex (MKR SA EQU General risk – net positions" attached to this question you can find as an example the reporting of both interpretations in the template MKR SA EQU.</p>
Annex	Annex

Area:	CR SA
Issue:	Short term claims on institutions and corporate
Question number:	28/2007
Date of question:	7/8/2007
Question:	<p>For CR SA Short there is some confusion as to what transactions need to be reported here. Is it</p> <p>1) All exposures to financial institutions and corporates that have a short term maturity (3 months or less)</p> <p>or</p> <p>2) Only short term exposures with short term specific assessments that</p>

	are financial institutions and corporates
Answer:	<p>Directive 2006/48/EC sets a table with different risk-weights in accordance with the credit assessment of a nominated ECAI (Annex VI, part 1, point 73, table 7). Short term exposures to institutions and corporates - as referred to in point 73 of Annex VI, Part I - are those exposures for which a specific short term credit assessment by a nominated ECAI is available. Note that the assumption is that where an ECAI issues short term credit assessments, these are always exposure specific.</p> <p>This question has already answered by CRDTG Question 149/2006.</p>

Area:	CA
Issue:	Cumulative preferential shares
Question number:	29/2007
Date of question:	10/8/2007
Question:	<p>In according to the Article 57 of Directive 2006/48/EC the cumulative preferential shares are excluded from Tier 1 Capital. Could you please clarify that means amount of share premium and repurchased own shares per cumulative preferential shares also should be reduced? Must be reported the book value (reduced by repurchased own shares) of cumulative preferential shares on the rows 1.2.1.6 or 1.2.2.2 depending on maturity?</p> <p>Our other question is that this instrument will be presented on the brutto (including in amounts of Eligible Capital items and deducting on the row 1.1.5.2) or netto way?</p>
Answer:	<p>Subject to the approval of the competent authorities, fixed-term cumulative preferential shares shall be registered in 1.2.2.2 when they comply with the provisions included in article 64.3 of Directive 2006/48/EC. Other cumulative preferential shares mentioned in article 63.2 of Directive are registered in 1.2.1.6. These provisions shall be understood without prejudice of the powers of national authorities to recognise additional instruments as own funds, according to article 63.1</p> <p>The amount to be reported in these items is gross of share premium and net of those instruments repurchased by the reporting institution.</p>

Area:	CR IRB
Issue:	Breakdowns by obligors
Question number:	30/2007
Date of question:	13/8/2007

Question:	<p>In column 27 is it necessary to fill in both the BREAKDOWN OF TOTAL EXPOSURES BY EXPOSURE TYPES (1) and the BREAKDOWN OF TOTAL EXPOSURES ASSIGNED TO OBLIGOR GRADES OR POOLS (2) or only one of them?</p> <p>What is the definition of the column 27 for each of the two breakdowns and for the 1.5 DILUTION RISK: TOTAL PURCHASED RECEIVABLES?</p> <p>(For further clarification of the question please refer to the illustration attached below under related documents)</p>
Answer:	<p>Both breakdowns can be asked, according to the Guidelines on Common Reporting. This does not mean necessarily that they would be asked both by any national authority, since they are free to choose the level of detail.</p> <p>The content of the column 27 implies the reporting of the number of obligors which are assigned by each type of exposure, to obligor grades or pools or which are subject to the treatment foreseen in the Directive for the calculation of the risk weighted exposure amounts for dilution risk of purchased receivables.</p> <p>In this context it is worth mentioning that also Q 3/2006 gives information of the intention of this column 27.</p>

Area:	Group Solvency Details
Issue:	Column 8 "Capital Requirements": Fixed overheads (investment firms)
Question number:	31/2007
Date of question:	8 October 2007
Question:	<p>In the CA template there are six line items in relation to capital requirements:</p> <ul style="list-style-type: none"> 2.1 Total capital requirements for credit, counterparty credit and dilution risks and free deliveries 2.2 Settlement/delivery risk 2.3 Total capital requirements for position, foreign exchange and commodity risks 2.4 Total capital requirements for operational risks (OpR) 2.5 Capital requirements related to fixed overheads 2.6. Other and transitional capital requirements <p>Currently, the Group Solvency Details template includes each of these line items except for line item 2.5 "Capital requirements related to fixed overheads." Was the omission of this line item in the Group Solvency template an intentional decision? If not, would it be possible to add it to</p>

	the Group Solvency template?
Answer:	<p>According to national discretion, several investment firms may include capital requirements related to fixed overheads in their calculation of solvency ratio if the following conditions laid down in Directive 2006/49/EC are fulfilled: either to avoid applying operational risk rules laid down in section 4 of Chapter 2 of Directive 2006/48/EC (see articles 20(2), 24, 20(3) and 25 of Directive 2006/49/EC) or to compare this amount with operational risk capital requirements and to take into account the lower of both amounts (see article 46 of Directive 2006/49/EC as transitional provision).</p> <p>As a result, capital requirements related to fixed overheads are closely connected with operational risk capital requirements and therefore the relevant amount of capital requirements related to fixed overheads, which is included in the denominator of solvency ratio, has to be reported in column 6 of the "Group Solvency Details" template (GSD).</p> <p>More details with regard to the required data of column 6 in "Group Solvency Details" template (GSD):</p> <p>In application of articles 20(2) and 24 of Directive 2006/49/EC total capital requirements are calculated according to the following formula in the CA template: $\text{Max}[2.1+2.2+2.3+2.6, 2.5]$. If the first part of this formula is the maximum, columns 3,4,5 and 7 of GSD contain all relevant data and column 6 of GSD remains empty and vice versa.</p> <p>According to articles 20(3) and 25 of Directive 2006/49/EC capital requirements are calculated as the sum of rows 2.1+2.2+2.3+2.5+2.6 of the CA template. In this case, capital requirements related to fixed overheads reported in row 2.5 of the CA template replace operational risk capital requirements and therefore have to be reported in column 6 of the GSD template.</p> <p>Investment firms under article 46 of Directive 2006/49/EC calculate their capital requirements according to the following formula in CA template: $2.1+2.2+2.3+ \text{Min}[2.4,(12/88)*\text{max}(2.1+2.2+2.3, 2.5)]$ plus, if applicable, an incremental increase + 2.6. Column 6 of the GSD template contains as a result of this formula - either the amount of row 2.4 of the CA template or $(12/88)*\text{max}(2.1+2.2+2.3, 2.5)$ of CA template + incremental increase.</p>

Area:	MKR SA TDI
Issue:	Column 8 "NET POSITIONS SUBJECT TO CAPITAL CHARGE"
Question number:	32/2007
Date of question:	17 September 2007
Question:	<p>I solicit your advise about the column under heading "NET POSITIONS SUBJECT TO CAPITAL CHARGE"</p> <p>If you are on General Risk :</p>

	<ul style="list-style-type: none"> - Behind the zone, for example the Zone 1 : the amount is the minimum between net long position and net short position - Between two zone : the amount corresponded of the minimum between the net open position for the zone 1 and the net open position for the zone 2, for example <p>If you are on Specific risk :</p> <ul style="list-style-type: none"> - it's only the sum of the net long position and the net short position.
Answer:	<p>a) General risk:</p> <p>The structure of the template concerning the calculation of the general risk of traded debt instruments in the trading book complies with Annex I para. 17 to 25 (maturity-based method) and Annex I para. 26 to 32 (duration-based method) of Directive 2006/49/EC. Only the result of the elimination process of positions in opposite directions (matched positions) has to be reported in rows 1.a to 1.f (maturity-based approach) and rows 2.a to 2.c (duration-based approach) respectively. Rows 1.g and 2.d show the residual position after the elimination process (unmatched position).</p> <p>b) Specific risk:</p> <p>The statement made in the question is correct. The provision concerning the amount to be reported is laid down in Annex I para. 14 third sentence of Directive 2006/49/EC. It is the sum of the weighted positions (regardless of whether they are long or short).</p>

Area:	MKR SA COM
Issue:	Line 3 Simplified approach: All positions
Question number:	33/2007
Date of question:	18 October 2007
Question:	Does the bank must inform the two points 3a and 3b or only one? And why?
Answer:	<p>Row 3.a shows the net position according to Annex IV point 6 of Directive 2006/49/EC, which is the amount of column 5 or 6. Row 3.b shows the gross position which is the sum of column 1 and 2. Please note that purely stock financing according to Annex IV point 3 of Directive 2006/49/EC may be excluded from the commodities risk calculation only.</p> <p>By using the Simplified approach 15% of the net position according to row 3.a of column 7 and 3% of the gross position according to row 3.b of column 7 have to be reported in the corresponding rows of column 8 to get the correct result of capital requirements.</p>

Area:	MKR SA COM
Issue:	Type of commodity
Question number:	34/2007
Date of question:	18 October 2007
Question:	Do we have to make the detail of each commodity? For example: commodity Agricultural Products, do we have to the split : wheat, etc.
Answer:	<p>The answer to this question is divided into the following two parts:</p> <p>1. Calculation of capital requirements for the commodities' risk position</p> <p>The capital requirements have to be calculated separately for each type of commodity. According to the discretion in Annex IV point 7 of Directive 2006/49/EC competent authorities may regard positions in different sub-categories and positions in similar commodities respectively as positions in the same commodity.</p> <p>2. Reporting of the commodities' risk position</p> <p>According to point 5.4 of the explanatory notes to the templates all the information could be requested for all commodities altogether or broken down by groupings of commodities. Pursuant to the legal references and comments of the MKR SA COM the positions in commodities can be grouped in the four main groups of commodities referred to in Table 2 of Annex IV of Directive 2006/49/EC.</p> <p>However, other breakdowns are possible. Each national authority has defined the breakdown of commodities it requires in its own jurisdiction.</p>

Area:	CR SA
Issue:	Credit Risk mitigation
Question number:	35/2007
Date of question:	24 October 2007
Question:	<p>Suppose I have an exposure that qualifies for the CRE exposure class and this exposure has collateral a bond (that qualifies eligible financial collateral). Suppose also that the Comprehensive method is to be used for CRM. In the following three cases, which COREP Templates should be completed?</p> <p>1) CRE in L.C Bond in L.C Then there is no maturity mismatch and the COREP template that is to be completed is CR SA.</p> <p>2) CRE in F.C. Bond in F.C. Then there is no maturity mismatch and the COREP templates that are to be completed are CR SA and MKR SA FX?</p> <p>3) CRE in F.C. Bond in F.C. Then there is a maturity mismatch. Should we apply the corresponding haircut and complete the COREP templates</p>

	CR SA and MKR SA FX?
Answer:	<p>The effect of the collateralization of the Financial Collateral Comprehensive Method applied to the CRE is calculated according to Annex VIII Part 3 points 30 to 61 of Directive 2006/48/EC. These figures have to be reported in columns 12 to 15 of CR SA.</p> <p>Additionally, the foreign exchange risk of the CRE in examples 2) and 3) has to be covered with own funds, because it is a long spot position according to Annex III point 2.1 of Directive 2006/49/EC. These positions have to be reported in the MKR SA FX. Although the CRE denominated in the local currency in example 1) is not subject to capital requirements, it has to be reported in the corresponding line of the memorandum items of the MKR SA FX, too.</p>

Area:	CR SA
Issue:	Counterparty credit risk
Question number:	36/2007
Date of question:	24 October 2007
Question:	In respect to Annex III of Directive 2006/48/EC, are both Trading Book and Banking Book items eligible for counterparty credit risk?
Answer:	<p>It is worth noting that COREP implementation questions do not deal with the interpretation of CRD provisions. We recommend sending this issue to the CRD Transposition Group as appropriate panel. Useful information with this regard can be found under the following link:</p> <p>http://www.c-ebs.org/crdtg.htm</p>

Area:	CR SA
Issue:	CRM Comprehensive - Master netting Agreement Basel I versus CRD
Question number:	37/2007
Date of question:	December 2007
Question:	<p>According to the Basel II framework E* for Master Netting Agreement is (page 46 §176) $E^* = \max \{0, [(S(E) - S(C)) + S(E_s \times H_s) + S(E_f \times H_f)]\}$ Where E_s = net position by security CRD applies the same formula. However, it defines E_s (page L177/140 §5 to 11) as net position in each type of security. 7. For the purposes of point 6, 'type of security' means securities which are issued by the same entity, have the same issue date, the same maturity and are subject to the same terms and conditions and are subject to the same liquidation periods as indicated in points 34 to 59. The questions would be: Why does the CRD differs from Basel II? Why was this difference between Security (BII) and type of security (CRD) introduced? Looking at the criteria, what would be an example for which</p>

	two different securities (under BII) would be grouped in a single 'type of security ' (under CRD)?
Answer:	<p>It is worth noting that COREP implementation questions do not deal with the interpretation of CRD provisions. We recommend sending this issue to the CRD Transposition Group as appropriate panel. Useful information with this regard can be found under the following link:</p> <p>http://www.c-ebs.org/crdtg.htm</p>

Area:	CR IRB template
Issue:	Dilution risk
Question number:	38/2007
Date of question:	October 2007
Question:	<p>This question refers to column 2 "original exposures pre conversion factor".</p> <p>The legal reference in line 1.1 stipulates that "Exposures for dilution risk of purchased receivables will not be reported by obligor grades or pools and will be reported in row Dilution risk : Total purchased receivables". However, if the exposures subject to calculation for the dilution risk are reported in line 1.5, the same exposures should also be reported in line 1.1 for the calculation of the credit risk towards the obligor.</p> <p>But in this case, if we had lines 1.1 to 1.5 for calculating line 1, it would entail a double counting of the original exposure.</p> <p>How should be filled the IRB template for the factoring operations?</p> <p>2 options:</p> <ul style="list-style-type: none"> - indicate the outstanding in the grade obligor (line 1.1) and in the line 1.5 but it should be filled only once in the line 1 to avoid a double counting in the exposures total (in this case 1 is not equal to 1.1+1.2+1.3+1.4+1.5) - indicate the outstanding in the grade obligor (line 1.1) and in line 1.5 and add lines 1.1 to 1.5 for the total amount of exposures (double-counting is not a problem as the exposures are subject to two calculations of capital requirements)
Answer:	<p>The second alternative presented is the correct one. In order to avoid misunderstandings some further clarifications as well as an example should be given:</p> <p>According to the legal references of the CR IRB the dilution risk of a purchased receivable, if it is not immaterial, should only be reported in row 1.5. According to Annex VII part 3 para. 6 of Directive 2006/48/EC the exposure value of purchased receivables shall be the outstanding amount minus the capital requirements for dilution risk prior to credit</p>

	<p>risk mitigation.</p> <p>The amounts to be reported in column 2 are shown in the following example:</p> <p>Assumption: Capital requirements for dilution risk = 2 €</p> <p>(exposure value for the dilution risk: 100 €; risk weight calculated by formula 25%)</p> <ol style="list-style-type: none"> 1. Exposure value for the dilution risk to be reported in row 1.5: 100 € 2. Exposure value for the credit risk to be reported in row 1.1: 100 € - 2 € = 98 € (see Annex VII part 3 para. 6 of Directive 2006/48/EC) <p>The sum of both amounts (198 €) has to be reported in row 1, because they are both subject to capital requirements.</p>
Actions	<p>To clarify the calculation of the exposure value for the calculation of risk weighted exposure amounts of purchased receivables the legal references and comments of row. 1.1 of CR SEC IRB should be amended as follows:</p> <p>For exposures to Corporates, institutions and Central governments and Central Banks see Annex VII part 4 point 7 of Directive 2006/48/EC. For retail exposures see Annex VII part 4 point 14 of Directive 2006/48/EC. For Exposures arising from purchased receivables see Annex VII part 3 point 6 of Directive 2006/48/EC.</p> <p>Exposures for dilution risk of purchased receivables will not be reported by obligor grades or pools and will be reported in row DILUTION RISK: TOTAL PURCHASED RECEIVABLES.</p>

Area:	General question
Issue:	CRD (2006/48/EC) Implementation: Haircut issues
Question number:	01/2008
Date of question:	8 January 2008
Question:	<p>CRD (Capital Requirements Directive) 2006/48/EC GOLD Collaterals As it is stated in the CRD Annex VIII Part 3 – 36 (page 146), we have to apply 21.213 % (for 20-day liquidation period) for GOLD. But, our understanding is saying that GOLD is collateral which is very valuable and very easy to liquidate, therefore we have to treat GOLD as CASH, and apply 0% haircut. Another issue related to GOLD is the currency mismatch. We are now indecisive to apply currency mismatch to GOLD or not, because GOLD's actual currency is AUX. Is this true? Real Estates Collaterals We are not planning to apply any kind of haircut (except currency mismatch) for the Real Estates Collaterals. But, we are again indecisive whether to apply currency mismatch to a real estate or not, because it is to very clearly set in the CRD. We may have to apply 11.314% (FX haircut), CRD Annex VIII Part 3 – 36 (page 147), to the real estates, in case of a collateral value currency – exposure currency</p>

	mismatch. Is this true? As you can imagine these treatments will affect the bank's capital adequacy, therefore, we need a clear answer of the C-EBS as the creator of the CRD.
Answer:	It is worth noting that COREP implementation questions do not deal with the interpretation of CRD provisions. We recommend sending this issue to the CRD Transposition Group as appropriate panel. Useful information with this regard can be found under the following link: http://www.c-ebs.org/crdtg.htm