

## Credit, counterparty credit and delivery risks: IRB approach to capital requirements

ID	Label	Legal references and comments
<b>Columns</b>		
01	Own estimates of LGD and/or credit conversion factors	§245 of the Basel Basis Text and art. 77 of the Capital Ordinance. YES shall be reported when the institution has been approved to use own estimates for the corresponding asset class. Otherwise NO.
02	Internal rating system	§211, 394 and 395 of the Basel Basis Text. In case the reporting institution applies a unique rating system or is able to report according to an internal master scale these will be used. In any other case, the different rating systems should be merged and ordered according to the following criteria: Obligor grades or pools of the different rating systems should be pooled together and ordered from the lower PD assigned to each obligor grade or pool to the higher.
02	PD assigned to the obligor grade or pool	§461–467 of the Basel Basis Text. For each individual grade or pool the PD assigned to the specific obligor grade or pool should be reported.
03	Original exposure pre conversion factors	§308 and 334 of the Basel Basis Text. Exposure value without taking into account value adjustments and provisions, conversion factors and the effect of credit risk mitigation techniques except in the case of funded credit protection in the form of master netting agreements. Transactions settled through a delivery-versus-payment system (according to §7 annex 3 of the Basel Basis Text or art. 76 par. 1 of the Capital Ordinance) are treated on a separate form ("SETT"). §317, 293 and 299 of the Basel Basis Text (for an overview, see annex 10 of the Basel Basis Text). For derivative instruments, repurchase transactions, securities or commodities lending or borrowing transactions, long settlement transactions and margin lending transactions, the original exposure will correspond to the exposure value for counterparty credit risk calculated according to the methods laid down in annex 4 of the Basel Basis Text. The effect of funded credit protection in the form of master netting agreements shall be included. By contrast, the effect of on-balance-sheet netting has to be reported under «credit risk mitigation techniques taken into account in LGD estimates». Exposures that qualify for the double default treatment will be classified according to the PD of the obligor.
04	Exposure after conversion factors	According to §474 of the Basel Basis Text, EAD for an on-balance sheet or off-balance sheet item is defined as the expected gross exposure. This implies that the effect of CRM techniques has to be taken into account after application of the relevant credit conversion factor to off-balance sheet items. For corporate, sovereign and bank exposures: §310–317 of the Basel Basis Text and precisions in margin numbers 339–340 of the Credit Risk Circular-banks. For retail exposures: §335–338 of the Basel Basis Text. For defaulted assets, the exposure should be reported net of provisions.
05–08	Credit risk mitigation (CRM) techniques with substitution effects on the exposure	Credit risk mitigation techniques that reduce the credit risk of an exposure or exposures via the substitution of exposures as defined below in inflows and outflows.

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ID	Label	Legal references and comments
05	Guarantees	<p>When own estimates of LGD are not used: §300–305, 332–333 and 490–492 of the Basel Basis Text and precisions in margin numbers 337–338 of the Credit Risk Circular-banks.</p> <p>When own estimates of LGD are used: §300–301, 306–307, 332–333, 480–487 of the Basel Basis Text. The nominal amount of the guarantee should be reported.</p> <p>Guarantees will be reported in column 05 when the adjustment is not made in the LGD. When the adjustment is made in the LGD column 10 shall be used.</p>
06	Credit derivatives	<p>When own estimates of LGD are not used: §300–305, 332–333 and 490–492 of the Basel Basis Text and precisions in margin numbers 337–338 of the Credit Risk Circular-banks.</p> <p>When own estimates of LGD are used: §300–301, 306–307, 332–333, 488–489 of the Basel Basis Text. The nominal amount of the credit derivative should be reported.</p> <p>Credit derivatives will be reported in column 06 when the adjustment is not made in the LGD. When the adjustment is made in the LGD column 11 shall be used.</p>
07–08	Substitution of the exposure due to CRM	<p>Outflows correspond to the covered part of the original exposure after conversion factors, that is deducted from the obligor's reporting category and, when relevant, risk weight or obligor grade or pool, and subsequently assigned to the protection provider's reporting category and, when relevant, risk weight or obligor grade or pool. This amount will be considered as an inflow into the protection provider's reporting category and, when relevant, risk weights or obligor grades or pools.</p> <p>Inflows and outflows within the same reporting categories and, when relevant, risk weights, obligor grades or pools should also be considered.</p>
07	Outflow (–)	
08	Inflows (+)	
09	Exposure after CRM substitution effects and after conversion factors	<p>Exposure assigned in the corresponding obligor grade or pool and exposure class after taking into account outflows and inflows due to «credit risk mitigation (CRM) techniques with substitution effects on the exposure» and after considering conversion factors.</p>
10–15	Credit risk mitigation techniques taken into account in LGD estimates excluding double default treatment	<p>Excludes the CRM techniques that have an impact as a result of the application of the substitution effect of CRM techniques taken into account in columns 05 to 08 as well as double default treatment taken into account in column 16.</p> <p>When own estimates of LGD are not used: §290, 291, 295, 296 of the Basel Basis Text.</p> <p>When own estimates of LGD are used:</p> <ul style="list-style-type: none"> <li>– Regarding unfunded credit protection, for exposures to central government and central banks, institutions and corporates: §300, 301, 306 and 307 of the Basel Basis Text. For retail exposures, §332 and 333 of the Basel Basis Text.</li> <li>– Regarding funded credit protection collateral taken into account in the LGD estimates according to §468-473 of the Basel Basis Text.</li> </ul>
10	Guarantees	See column 05.
11	Credit derivatives	See column 06.

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12	Eligible financial collateral	<p>For trading book operations includes financial instruments and commodities eligible for trading book exposures. Credit linked notes and on-balance sheet netting are treated as cash collateral.</p> <p>When own estimates of LGD are not used: §290–293 and 506 of the Basel Basis Text; the adjusted value <math>(C \times [1 - H_C - H_{FX}] \text{ incl. maturity adjustments})</math> as set out in §147 of the Basel Basis Text shall be reported.</p> <p>When own estimates of LGD are used: financial collateral taken into account in the LGD estimates according to §469–470 of the Basel Basis Text. The amount to be reported should be the estimated market value of the collateral.</p>
13–15	Other eligible collateral	<p>When own estimates of LGD are not used: §295 and 506–522 of the Basel Basis Text and precisions in margin numbers 334–336 of the Credit Risk Circular-banks.</p> <p>When own estimates of LGD are used: other collateral taken into account in the LGD estimates according to §469–470 of the Basel Basis Text.</p>
13	Real estate	<p>When own estimates of LGD are not used: §507–510 of the Basel Basis Text and precisions in margin number 335 of the Credit Risk Circular-banks. When own estimates of LGD are used: the amount to be reported should be the estimated market value.</p>
14	Other physical collateral	<p>When own estimates of LGD are not used: §521–522 of the Basel Basis Text and precisions in margin numbers 336 of the Credit Risk Circular-banks.</p> <p>When own estimates of LGD are used: the amount to be reported should be the estimated market value of collateral.</p>
15	Receivables	<p>When own estimates of LGD are not used: §511–520 of the Basel Basis Text.</p> <p>When own estimates of LGD are used: the amount to be reported should be the estimated market value of collateral.</p>
16	Subject to double default treatment: unfunded credit protection	<p>Guarantees and credit derivatives covering exposures subject to the double default treatment. See §307 (i)–(ii) of the Basel Basis Text. See also legal references and comments for guarantees and credit derivatives.</p>
17	Exposure weighted average LGD (%)	<p>All the impact of CRM techniques on LGD values as specified in §284–307 and 331–338 of the Basel Basis Text should be considered. In the case of exposures subject to the double default treatment the LGD to be reported will correspond to the one selected according to §284 (ii) of the Basel Basis Text.</p> <p>For defaulted exposures, margin numbers 324 and 352 of the Credit Risk Circular-banks have to be considered: therefore, for these exposures, the amount of specific provisions in proportion to total exposure should be used as best estimate for the LGD values.</p>
18	Exposure weighted average maturity value (days)	<p>§318–325 of the Basel Basis Text, as well as precisions in margin numbers 343–350 of the Credit Risk Circular-banks.</p>
19	Risk weighted exposure amount	<p>For central governments and central banks, corporates and institutions see §271–284 (iii) of the Basel Basis Text and precisions in margin numbers 324–330 and 341–342 of the Credit Risk Circular-banks. For retail see §327–330 of the Basel Basis Text and precisions in margin numbers 351–352 of the Credit Risk Circular-banks.</p>

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20	Capital requirements	Art. 42 of the Capital Ordinance. Capital requirements before application of the institute specific IRB multiplier according to art. 65 par. 3 of the Capital Ordinance and before application of the IRB scaling factor (1,06).
21	Expected loss amount	§375–379 of the Basel Basis Text and precisions in margin numbers 375–378 of the Credit Risk Circular-banks.
22	Value adjustments and provisions	§380 of the Basel Basis Text and precisions in margin number 379 of the Credit Risk Circular-banks.
Rows		
03	On-balance sheet items	Assets referred to in art. 49 of the Capital Ordinance not included in any other category.
04	Off-balance sheet items	Items included in art. 53 of the Capital Ordinance except those included as securities financing transactions and long settlement transactions, derivatives or from contractual cross product netting.
05	Securities financing transactions	Securities financing transactions (SFT) as defined in annex 4 of the Basel Basis Text.
06	Derivatives and long settlement transactions	Derivatives and long settlement transactions as defined in annex 4 of the Basel Basis Text.
07	From contractual cross product netting	Exposures that due to the existence of a contractual cross-product netting (as defined in annex 4 of the Basel Basis Text) cannot be assigned to either derivatives or securities financing transactions and long settlement transactions will be included under this category.
08–18	Specialised lending slotting criteria	§275–277 and 280 of the Basel Basis Text, as well as precisions in margin number 327–330 of the Credit Risk Circular-banks. This only applies to the corporate asset class (reporting category 04).
12	Of which: “strong exposures”	§277 of the Basel Basis Text and precision in margin number 329 of the Credit Risk Circular-banks.
19	Exposures from free deliveries applying standardised risk weights or 100% under the alternative treatment	Annex 3, §6 and 8 of the Basel Basis Text.
20	Dilution risk: Total purchased receivables	§369–370 of the Basel Basis Text and precisions in margin number 373 of the Credit Risk Circular-banks.
21–N	Obligor grade or pool	For exposures to corporates, institutions and central governments and central banks see §397 of the Basel Basis Text. For retail exposures see §401 of the Basel Basis Text. 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». Where the institution uses a large number of grades or pools, a reduced number of grades or pools to be reported may be agreed with the competent authorities.
100	Defaulted assets	Margin numbers 324 and 352 of the Credit Risk Circular-banks.

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Reporting categories		Legal references and comments
<b>[P/C]_CRIRB_01</b>	Sovereigns	§229 of the Basel Basis Text and precisions in margin number 293 of the Credit Risk Circular-banks.
	Institutions	§230 of the Basel Basis Text. Besides banks and securities firms, this exposure class covers also certain public sector entities (PSEs) and multi-lateral development banks (MDBs). Consider also precisions in margin number 294 of the Credit Risk Circular-banks.
<b>[P/C]_CRIRB_02</b>	– Banks and securities dealers	Banks and securities dealers.
<b>[P/C]_CRIRB_03</b>	– Other institutions	PSEs and MDBs that fall under the definition of §230 of the Basel Basis Text. Consider also precisions in margin number 294 of the Credit Risk Circular-banks.
	Corporates	§218–228 of the Basel Basis Text and precisions in margin numbers 292 and 298–299 of the Credit Risk Circular-banks.
<b>[P/C]_CRIRB_04</b>	– Specialised lending	§219–228 of the Basel Basis Text and precisions in margin numbers 298–299 of the Credit Risk Circular-banks.
<b>[P/C]_CRIRB_05</b>	– Corporates without specialised lending	
	Retail	§231–234 of the Basel Basis Text and precisions in margin numbers 300–318 of the Credit Risk Circular-banks.
<b>[P/C]_CRIRB_06</b>	– Secured by real estate	§231–234 of the Basel Basis Text and precisions in margin numbers 300–318 of the Credit Risk Circular-banks.
<b>[P/C]_CRIRB_07</b>	– Qualifying revolving	§234 of the Basel Basis Text.
<b>[P/C]_CRIRB_08</b>	– Other retail	§233 of the Basel Basis Text. Consider also precisions in margin numbers 304–308 of the Credit Risk Circular-banks regarding lombard loans.

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