ANNEX II

REPORTING ON OWN FUNDS REQUIREMENTS

1. This Annex contains additional instructions for the tables (hereinafter "COREP") included in Annex I of this Regulation. This Annex complements the instructions in format of references included in the tables in Annex I.

Table of Contents

PART I: GENERAL INSTRUCTIONS

1. Structure and conventions

1.1. Structure

2. Overall, the framework consists of five blocks of templates:

   1. Capital adequacy, an overview of regulatory capital; total risk exposure amount; and, in the case of consolidated groups, an overview of the fulfilment of the solvency requirements by consolidated and individual entities;

   Information related to the application of different approaches for the assessment of Pillar I capital requirements for:

   2. Credit risk (including counterparty, dilution and settlement risks);

   3. Market risk (i.e. position risk in trading book, foreign exchange risk and commodities risk);

   4. Operational risk;

3. For each template legal references are provided. Further detailed information regarding more general aspects of the reporting of each block of templates, instructions concerning specific positions as well as examples and validation rules are included in these Guidelines for implementation of the Common Reporting framework.

4. Institutions report only those templates that are relevant depending on the approach used for determining own funds requirements.

> Explanatory text for consultation purposes:
>
> E.g. in case an institutions holds securitisation positions and the institution calculates the risk-weighted exposure amounts under the IRB Approach according to Part 3 Title II chapter 5, section 3, subsection 4 of CRR, then only the templates CR SEC IRB and SEC Details shall be reported, but not CR SEC SA.

1.2. Numbering convention

5. The document will follow the labelling convention set in the following table, when referring to the columns, rows and cells of the templates. These numerical codes are extensively used in the validation rules.

6. The following general notation is followed in the instructions: {Template;Row;Column}.

> Explanatory text for consultation purposes:
>
> For example: {CRSA;010;020} refers to the data point row 010, column 020 of CRSA template.

7. In the case of validations inside a template, in which only data points of that template is used, notations will not refer to a template: {Row;Column}.

8. In the case of templates with only one column, only rows will be referred to. {Template;Row}

> Explanatory text for consultation purposes:
>
> For example: {CA2;010} refers to the row 010 of CA2.

9. An asterisk sign will be used to express that the validation is done for the rows or columns specified before.

Explanatory text for consultation purposes:

For example: “For columns 010 to 050, {CRSA;010;*}”means row 010 of CRSA, for the columns 010 to 050.

1.3. Sign convention

10. Any amount that increases the own funds or the capital requirements will be reported as a positive figure. On the contrary, any amount that reduces the total own funds or the capital requirements will be reported as a negative figure. Where there is a negative sign (-) preceding the label of an item no positive figure is expected to be reported for that item.

PART II: TEMPLATE RELATED INSTRUCTIONS

~~3.4.~~1.1. CR EQU IRB – Equity exposures under the internal ratings based approach

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~~3.4.1.~~1.1.1. General remarks

~~86.~~11. The CR EQU IRB template provides information on the calculation of risk weighted exposure amounts for credit risk (Article 87(3) point (a) of CRR) according to the IRB method (Part Three, Title II, Chapter 3 of CRR) for equity exposures referred to in Article 142(2) point (e) of CRR.

~~87.~~12. According to Article 142(6) of CRR, the following exposures shall be assigned to the equity exposure class:

non-debt exposures conveying a subordinated, residual claim on the assets or income of the issuer; or
debt exposures and other securities, partnerships, derivatives, or other vehicles, the economic substance of which is similar to the exposures specified in point (a).

~~88.~~13. Collective investment undertakings treated according to the simple risk weight approach as referred to in Article 147 of CRR shall also be reported in the CR EQU IRB template.

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~~89.~~14. In accordance with Article 146(1) of CRR, institutions shall provide the CR EQU IRB template only when applying one of the three approaches referred to in Article 150 of CRR:

the Simple Risk Weight approach,
the PD/LGD approach, or
the Internal Models approach.

~~90.~~15. The following equity claims shall not be reported in the CR EQU IRB template:

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Equity exposures in the trading book (in case where institutions are not exempted from calculating own funds requirements for trading book positions according to Article 89 of CRR).
Equity exposures subject to the partial use of the standardised approach (Article 145 of CRR), including:
Grandfathered equity exposures according to Article 472(1) of CRR,
Equity exposures to entities whose credit obligations are assigned a 0% risk weight under the Standardised Approach, including those publicly sponsored entities where a 0% risk weight can be applied (Article 145(1) point (g) of CRR),
Equity exposures incurred under legislated programmes to promote specified sectors of the economy that provide significant subsidies for the investment to the institution and involve some form of government oversight and restrictions on the equity investments (Article 145(1) point (h) of CRR).
Equity exposures to ancillary services undertakings whose risk weighted exposure amounts may be calculated according to the treatment of “other non credit-obligation assets” (in accordance with Article 150(1) of CRR).
Equity claims deducted from own funds in accordance with Articles 43 and 45 of the CRR.
~~Equity claims which are deducted from own funds or risk-weighted at 250% or 1250% (e.g. significant holdings in equity instruments of relevant entities, qualifying holdings outside the financial sector) (Parts Two and Three of CRR; Article 150 of CRR)).~~

~~3.4.2.~~1.1.2. Instructions concerning specific positions

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Instructions by columns

Columns	
010	**INTERNAL RATING SYSTEM** **PD ASSIGNED TO THE OBLIGOR GRADE** Institutions applying the PD/LGD approach report in column 010 the probability of default (PD) calculated in accordance with the provisions referred to in Article 161(1) of CRR. The PD assigned to the obligor grade or pool to be reported shall be in line with the minimum requirements as laid down in Part Three, Title II, Chapter 3, Section 6 of CRR. For each individual grade or pool, the PD assigned to that specific obligor grade or pool shall be reported. All reported risk parameters shall be derived from the risk parameters used in the internal rating system approved by the respective competent authority. For figures corresponding to an aggregation of obligor grades or pools (e.g. “total exposures”) the exposure weighted average of the PDs assigned to the obligor grades or pools included in the aggregation shall be provided. All exposures, including defaulted exposures are to be considered for the purpose of the calculation of the exposure weighted average PD. For the calculation of the exposure-weighted average PD, the exposure value taking into account unfunded credit protection (column 060) shall be used for weighting purposes.
020	**ORIGINAL EXPOSURE PRE CONVERSION FACTORS** Institutions report in column 020 the original exposure value (pre conversion factors). According to the provisions laid down in Article 163 of CRR, the exposure value for equity exposures shall be the accounting value remaining after specific credit risk adjustments. The exposure value of off-balance sheet equity exposures shall be its nominal value after reducing its nominal value by specific credit risk adjustments for this exposure. Institutions also include in column 020 off balance sheet items referred to in Annex I of CRR assigned to the “equity claims” exposure class (e.g. “the unpaid portion of partly-paid shares”). Institutions applying the Simple Risk Weight approach or the PD/LGD approach (as referred to in Article 161(1) also consider the offsetting provisions referred to in Article 150(2) of CRR.
030-040	**CREDIT RISK MITIGATION (CRM) TECHNIQUES WITH SUBSTITUTION EFFECTS ON THE EXPOSURE** **UNFUNDED CREDIT PROTECTION** **GUARANTEES** **CREDIT DERIVATIVES** Irrespective of the approach adopted for the calculation of risk weighted exposure amounts for equity exposures, institutions may recognize unfunded credit protection obtained on equity exposures (Article 150(2),(3) and (4) of CRR). Institutions applying the Simple Risk Weight approach or the PD/LGD approach report in columns 030 and 040 the amount of unfunded credit protection under the form of guarantees (column 030) or credit derivatives (column 040) recognised in accordance with the methods set out in Part Three, Title II, Chapter 4 of CRR.
050	**CREDIT RISK MITIGATION (CRM) TECHNIQUES WITH SUBSTITUTION EFFECTS ON THE EXPOSURE** **SUBSTITUTION OF THE EXPOSURE DUE TO CRM** **(-) TOTAL OUTFLOWS** Institutions report in column 050 the part of the original exposure pre conversion factors covered by unfunded credit protection recognised in accordance with the methods set out in Part Three, Title II, Chapter 4 of CRR.

060	**EXPOSURE VALUE** Institutions applying the Simple Risk Weight approach or the PD/LGD approach report in column 060 the exposure value taking into account substitution effects stemming from unfunded credit protection (Article 150(2) and (3), Article 163 of CRR). As a reminder, in the case of equity off-balance sheet exposures, the exposure value shall be the nominal value after specific credit risk adjustments (Article 163 of CRR).
070	**EXPOSURE WEIGHTED AVERAGE LGD** Institutions applying the PD/LGD approach report in column 070 (rows 040-001 to 040-NNN) the exposure weighted average of the LGDs assigned to the obligor grades or pools included in the aggregation; the same applies for row 020. The exposure value taking into account unfunded credit protection (column 060) shall be used for the calculation of the exposure-weighted average LGD. Institutions shall take into accounts the provisions laid down in 161(2) of CRR.
080	**RISK WEIGHTED EXPOSURE AMOUNT** Institutions report risk-weighted exposure amounts for equity exposures in column 080, calculated in accordance with the provisions laid down in Article 150 of CRR. In case where institutions applying the PD/LGD approach do not have sufficient information to use the definition of default set out in Article 174 of CRR, a scaling factor of 1.5 shall be assigned to the risk weights when calculating risk weighted exposure amounts (Article 150(3) of CRR). With regard to the input parameter M (Maturity) to the risk-weight function, the maturity assigned to equity exposures equals 5 years (Article 161(3) of CRR).
090	**MEMORANDUM ITEM: EXPECTED LOSS AMOUNT** Institutions report in column 090 the expected loss amount for equity exposures calculated in accordance with Article 154(4), (7), (8) and (9) of CRR.

Instructions by rows

~~91.~~16. In accordance with Article 150 of CRR, institutions may employ different approaches (Simple Risk Weight approach, PD/LGD approach or Internal Models approach) to different portfolios when they use these different approaches internally.

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Rows	
020, 030, 040-01 to 040-NNN	**1. PD/LGD APRROACH: TOTAL** **OF WHICH: NON-DEFAULTED EXPOSURES:** **BREAKDOWN OF TOTAL EXPOSURES UNDER THE PD/LGD APRROACH BY OBLIGOR GRADES:** Institutions applying the PD/LGD approach (Article 150(3) of CRR) report the requested information in rows 020, 030 and 040-001 to 040-NNN. In case where institutions using the PD/LGD approach apply a unique rating system or are able to report according to an internal master scale, institutions report in rows 040-001 to 040-NNN the rating grades or pools associated to this unique rating system / master-scale. In any other case, the different rating systems shall be merged and ordered according to the following criteria: Obligor grades or pools of the different rating systems shall be pooled together and ordered from the lower PD assigned to each obligor grade or pool

	to the higher. For the calculation of the information relating to the non-defaulted assets (row 030), only those exposure which were not assigned a PD of 100% (in rows 040-001 to 040-NNN) have to be taken into account.
050- 090	**2. SIMPLE RISK WEIGHT APPROACH: TOTAL** **BREAKDOWN OF TOTAL EXPOSURES UNDER THE SIMPLE RISK WEIGHT APRROACH BY RISK WEIGHTS:** Institutions applying the Simple Risk Weight approach (Article 150(2) of CRR) report the requested information according to the characteristics of the underlying exposures in rows 050 to 090.
100	**3. INTERNAL MODELS APPROACH** Institutions applying the Internal Models approach (Article 150(4) of CRR) report the requested information in row 100.
110	**4. EQUITY POSITIONS IN FINANCIAL SECTOR ENTITIES RISKWEIGHTED AT 250%** Institutions applying the IRB approach shall report the risk weighted exposure amount of equity positions in financial sector entities treated in accordance with Article 45(2) of the CRR in row 110 .

Formatiert: Schriftart: Nicht Fett, Nicht unterstrichen

~~3.5.~~1.2. CR SETT – Settlement/Delivery Risk

Formatiert: Nummerierung und Aufzählungszeichen

~~3.5.1.~~1.2.1. General remarks

~~92.~~17. This template requests information on both trading and non-trading book transactions which are unsettled after their due delivery dates, and their corresponding own funds requirements for settlement risk according to Articles 87(3) Point c) ii) and 368 of CRR.

~~93.~~18. Institutions report in the CR SETT template information on the settlement/delivery risk in connection with debt instruments, equities, foreign currencies and commodities held in their trading or non-trading book.

~~94.~~19. According to Article 368 of CRR, repurchase transactions, securities or commodities lending and securities or commodities borrowing in connection with debt instruments, equities, foreign currencies and commodities are not subject to settlement/delivery risk. Note however that, derivatives and long settlement transactions unsettled after their due delivery dates are nevertheless subject to own funds requirements for settlement/delivery risk as determined in Article 368 of CRR.

~~95.~~20. In the case of unsettled transactions after the due delivery date, institutions calculate the price difference to which they are exposed. This is the difference between the agreed settlement price for the debt instrument, equity, foreign currency or commodity in question and its current market value, where the difference could involve a loss for the institution.

~~96.~~21. Institutions multiply this difference by the appropriate factor of Table 1 of Article 368 of CRR to determine the corresponding own funds requirements.

~~97.~~22. According to Article 87(4) Point (b), the own funds requirements for settlement/delivery risk shall be multiplied by 12.5.

~~98.~~23. Note that own funds requirements for free deliveries as laid down in Article 369 of CRR are not within the scope of the CR SETT template; the latter shall be reported in the credit risk templates (CR SA, CR IRB…).

~~3.5.2.~~1.2.2. Instructions concerning specific positions

Formatiert: Nummerierung und Aufzählungszeichen

Columns	
010	**UNSETTLED TRANSACTIONS AT SETTLEMENT PRICE** In accordance with Article 368 of CRR, institutions report in column 010 the unsettled transactions after their due delivery date at the respective agreed settlement prices. *All unsettled transactions* have to be included in column 010, irrespective of whether or not they are at a gain or at a loss after the due settlement date.
020	**PRICE DIFFERENCE EXPOSURE DUE TO UNSETTLED TRANSACTIONS** In accordance with Article 368 of CRR, institutions report in column 020 the price difference between the agreed settlement price and its current market value for the debt instrument, equity, foreign currency or commodity in question, *where the difference could involve a loss for the institution*. Only *unsettled transactions at a loss* after the due settlement date have to be reported in column 020
030	**OWN FUNDS REQUIREMENTS**

	Institutions report in column 030 the own funds requirements calculated in accordance with Article 368 of CRR.
040	**<u>TOTAL SETTLEMENT RISK EXPOSURE AMOUNT</u>** In accordance with Article 87(4) point (b) of CRR, institutions multiply their own funds requirements reported in column 030 by 12.5 in order to obtain the settlement risk exposure amount.

Rows	
010	**<u>Total unsettled transactions in the Non-trading Book</u>** Institutions report in row 010 aggregated information in relation with settlement/delivery risk for non-trading book positions (in accordance with Articles 87(3) Point c) ii) and 368 of CRR). Institutions report in 010/010 the aggregated sum of unsettled transactions after their due delivery dates at the respective agreed settlement prices. Institutions report in 010/020 the aggregated information for price difference exposure due to unsettled transactions at a loss. Institutions report in 010/030 the aggregated own funds requirements derived summing the own funds requirements for unsettled transactions by multiplying the “price difference” reported in column 020 by the appropriate factor based on the number of working days after due settlement date (categories referred to in Table 1 of Article 368 of CRR).
020 to 060	**<u>Transactions unsettled up to 4 days (Factor 0%)</u>** **<u>Transactions unsettled between 5 and 15 days (Factor 8%)</u>** **<u>Transactions unsettled between 16 and 30 days (Factor 50 %)</u>** **<u>Transactions unsettled between 31 and 45 days (Factor 75%)</u>** **<u>Transactions unsettled for 46 days or more (Factor 100%)</u>** Institutions report the information in relation with settlement/delivery risk for non-trading book positions according to the categories referred to in Table 1 of Article 368 of CRR in rows 020 to 060. No own funds requirements for settlement/delivery risk are required for transactions unsettled less than 5 working days after the due settlement date.
070	**<u>Total unsettled transactions in the Trading Book</u>** Institutions report in row 070 aggregated information in relation with settlement/delivery risk for trading book positions (in accordance with Articles 87(3) Point c) ii) and 368 of CRR). Institutions report in 070/010 the aggregated sum of unsettled transactions after their due delivery dates at the respective agreed settlement prices. Institutions report in 070/020 the aggregated information for price difference exposure due to unsettled transactions at a loss. Institutions report in 070/030 the aggregated own funds requirements derived summing the own funds requirements for unsettled transactions by multiplying the “price difference” reported in column 020 by an appropriate factor based on the number of working days after due settlement date (categories referred to in Table 1 of Article 368 of CRR).
080 to	**<u>Transactions unsettled up to 4 days (Factor 0%)</u>**

120	**<u>Transactions unsettled between 5 and 15 days (Factor 8%)</u>** **<u>Transactions unsettled between 16 and 30 days (Factor 50 %)</u>** **<u>Transactions unsettled between 31 and 45 days (Factor 75%)</u>** **<u>Transactions unsettled for 46 days or more (Factor 100%)</u>** Institutions report the information in relation with settlement/delivery risk for trading book positions according to the categories referred to in Table 1 of Article 368 of CRR in rows 080 to 120. No own funds requirements for settlement/delivery risk are required for transactions unsettled less than 5 working days after the due settlement date.