

# **COMMUNIQUÉ ON DISCLOSURES ABOUT RISK MANAGEMENT TO BE ANNOUNCED TO PUBLIC BY BANKS**

## **PART ONE**

### **Subject Matter, Scope, Definitions, General Provisions and Principles**

#### **Subject Matter and Scope**

**ARTICLE 1-** (1) The purpose of this Communiqué is to determine the procedures and principles regarding disclosing individual and consolidated risk management information of banks.

(2) Banks are required to prepare and disclose individual risk management information by making use of the templates and tables regarding consolidated risk management regulated in this Communiqué.

(3) Risk management disclosure requirements in this Communiqué complement other risk management disclosure requirements stated in the third section of Communiqué on the Financial Statements to be Announced to Public by Banks as well as Explanations and Footnotes Thereof.

#### **Basis**

**ARTICLE 2-** (1) This Communiqué, lays down rules to specify in detail the risk management of banks provided for in Articles 37, 38, 93 of the Banking Law No 5411 dated 19/10/2005 and Article 36 of Regulation on Measurement and Assessment of Capital Adequacy of Banks on the Official Journal No:28337 and dated 28/06/2012.

#### **Definitions and abbreviations**

**ARTICLE 3-** (1) The following terms used in this Communiqué shall have the meanings expressly designated to them below:

- a) Bank: Banks defined in Article 3 of the Law,
- b) Financial report: Annual and interim financial reports on a quarterly basis regulated at Article 10 of Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks on the Official Journal No:26333 and dated 01/11/2006,
- c) Law: Banking Law No 5411,
- ç) Agency: Banking Regulation and Supervision Agency,
- d) Board: Banking Regulation and Supervision Board,
- e) Collective investment undertakings (CIU): Investment partnerships and mutual funds as referred to in the regulations associated with the Capital Markets Law no. 6362 dated 6/12/2012, as well as other undertakings accepted and termed as collective investment undertakings pursuant to the equivalent regulations of foreign countries,
- f) Regulatory consolidation: Consolidation within the scope of paragraph (1) of Article 5 of Communiqué on Preparation of Consolidate Financial Statements of Banks on the Official Journal No:26340 and dated 08/11/2006,

g) Accounting consolidation: Consolidation within the scope of paragraph (6) of Article 5 of Communiqué on Preparation of Consolidate Financial Statements of Banks on the Official Journal No:26340 and dated 08/11/2006,

ğ) Senior management: Bank's general manager and deputy general managers, the managers of units within the context of internal systems and managers of units, with the exception of consultancy units, assigned to positions which are equivalent to, or higher than, deputy general manager by their authorities and responsibilities attached although they have been employed under different titles.

h) Top management: Bank's board of directors and senior management.

### **General provisions**

**ARTICLE 4-** (1) Banks shall disclose information on their risk management that forms a discrete section and a component of their financial reporting which must be easily identifiable to users, assessment and measurement.

(2) Banks must make available on their websites an archive for at least 5 years on their risk management information as of effective date of this Communiqué.

(3) The templates and tables regarding information on risk management must be disclosed based on the format and publishing frequency associated with each template and table at the schedule stated at Annex:1.

(4) Disclosure of information on risk management are subject to the same process of internal control and internal supervision financial reports are subject to.

(5) Banks must establish a formal/written board-approved disclosure policy for risk management information that sets out the internal controls and and internal supervision procedures for disclosure of such information. The key elements of this policy should be described in the year-end risk management disclosures. For the banks established in Turkey, risk management disclosures shall be signed by the chairman of the board of directors, the members of the audit committee, general manager, deputy general manager responsible for financial reporting as well as the relevant unit manager or equivalent authorities by indicating their names, last names and titles, declaring that they are prepared in compliance with the internal control process approved by the board of directors. The signing responsibility shall be executed by the board of management for the banks operating in Turkey by opening branch.

(6) In case risk management disclosures in this Communiqué involves confidential information a bank does not need to disclose those items/information, but it must explain in the narrative commentary to the disclosure requirement the fact that the specific items of information have not been disclosed and the reasons for this.

### **Guiding principles for banks' risk management disclosures**

**ARTICLE 5-** (1) In order to achieve transparent, high-quality risk management information that will enable users to better understand and compare a bank's business and its risks, risk management disclosure shall be prepared in compliance with the below mentioned principles.

a) Disclosures should be clear. Disclosures should be presented in a form that is understandable and communicated through an accessible medium. Important messages should

be highlighted and easy to find. Complex issues should be explained in simple language. Related risk information should be presented together.

b) Disclosures should be comprehensive:

i) Disclosures should describe a bank's main activities and all significant risks, supported by relevant underlying data and information. Significant changes in risk exposures between reporting periods should be described, together with the appropriate response by management.

ii) Disclosures should provide sufficient information in both qualitative and quantitative terms on a bank's processes and procedures for identifying, measuring and managing those risks. The level of detail of such disclosure should be proportionate to a bank's complexity.

iii) Approaches to disclosure should be sufficiently flexible to reflect how senior management and the board of directors internally assess and manage risks and strategy, helping users to better understand a bank's risk tolerance/appetite.

c) Disclosures should be meaningful to users. Disclosures should highlight a bank's most significant current and emerging risks and how those risks are managed, including information that is likely to receive market attention. Where meaningful, linkages must be provided to line items on the balance sheet or the income statement. Disclosures that do not add value to users' understanding or do not communicate useful information should be avoided. Furthermore, information which is no longer meaningful or relevant to users should be removed/should not be disclosed.

ç) Disclosures should be consistent over time. Disclosures should be consistent over time to enable related parties to identify trends in a bank's risk profile across all significant aspects of its business. Additions, deletions and other important changes in disclosures from previous reports, including those arising from a bank's specific, regulatory or market developments, should be highlighted and explained.

d) Disclosures should be comparable across banks. The level of detail and the format of presentation of disclosures should enable related parties to perform meaningful comparisons of business activities, prudential metrics, risks and risk management between banks and across jurisdictions.

### **Tables and templates**

**ARTICLE 6-** (1) The disclosure requirements are presented either in the form of templates or of tables. Templates must be completed with quantitative data in accordance with the definitions provided. Tables generally relate to qualitative requirements, but quantitative information is also required in some instances. Banks may choose the format they prefer when presenting the information requested in tables. Abbreviations used at the tables and templates could be found at Annex:2.

(2) In line with principle stated at point (c) of paragraph (1) of Article 5, the information provided in the templates and tables should be meaningful to users. The disclosure requirements that necessitate an assessment from banks are specifically identified

within the scope of tables/templates CRD, CR4, CR5, CRE, CR9, CCR3, CCR4, MRB, MR1 ve MR4. Disclosure presented in those tables and templates should be extensive. If the exposures and RWA amounts are deemed immaterial or if a bank considers that the information requested in a template or table would not be meaningful to the related parties, bank may choose not to disclose part or all of the information requested. In such circumstances, however, the bank will be required to explain in a narrative commentary why it considers such information not to be meaningful to the related parties. It should describe the portfolios excluded from the disclosure requirement and the aggregate total RWAs those portfolios represent.

(3) Where the format of a template is described as fixed, banks must complete the fields in accordance with the instructions given. If a row/column is not considered to be relevant to a bank's activities or the required information would not be meaningful to users, the bank may delete the specific row/column from the template. The numbering of the subsequent rows and columns must not be altered for the intelligibility of the deleted row or column. Banks may add extra rows and extra columns to fixed format templates if they wish to provide additional detail to a disclosure requirement by adding sub-rows or columns, but the numbering of prescribed rows and columns in the template must not be altered.

(4) Where the format of a template is described as flexible, banks may present the required information either in the format provided in this Communiqué or in one that better suits the bank. The format for the presentation of qualitative information in tables is not prescribed. However, where a customised presentation of the information is used, the bank must provide information comparable with that required in the disclosure requirement.

### **Qualitative narrative to accompany the disclosure requirements**

**ARTICLE 7-** (1) Banks are expected to supplement the quantitative information provided in both fixed and flexible templates with a narrative commentary to explain at least any significant changes between reporting periods and any other issues that management considers to be of interest to market participants. The form taken by this additional narrative is at the bank's discretion.

(2) Disclosure of additional quantitative and qualitative information will provide market participants with a broader picture of a bank's risk position and promote market discipline.

(3) Additional risk disclosures allow banks to present information relevant to their business model that may not be adequately captured by the standardised requirements. Additional quantitative information that banks choose to disclose must provide sufficient meaningful information to enable market participants to understand and analyse any figures provided. It must also be accompanied by a qualitative discussion. Any additional disclosure must comply with the principles stated at Article 5.

## **PART TWO**

### **Disclosures on risk management approach and overview of RWA**

**ARTICLE 8-** (1) Following issues related to bank risk management approach and risk weighted assets shall be disclosed.

### a) Table OVA: Bank risk management approach

<b>Purpose:</b> Description of the bank's strategy and how senior management and the board of directors assess and manage risks, enabling users to gain a clear understanding of the bank's risk tolerance/appetite in relation to its main activities and all significant risks.
<b>Scope of application:</b> The template is mandatory for all banks
<b>Content:</b> Qualitative information.
<b>Frequency:</b> Annual
<b>Format:</b> Flexible
Banks must describe their risk management objectives and policies, in particular: <ul style="list-style-type: none"> <li>(a) How the business model determines and interacts with the overall risk profile (eg the key risks related to the business model and how each of these risks is reflected and described in the risk disclosures) and how the risk profile of the bank interacts with the risk tolerance approved by the board.</li> <li>(b) The risk governance structure: responsibilities attributed throughout the bank (eg oversight and delegation of authority; breakdown of responsibilities by type of risk, business unit etc); relationships between the structures involved in risk management processes (eg board of directors, executive management, separate risk committee, risk management structure, compliance function, internal audit function).</li> <li>(c) Channels to communicate, decline and enforce the risk culture within the bank (eg code of conduct; manuals containing operating limits or procedures to treat violations or breaches of risk thresholds; procedures to raise and share risk issues between business lines and risk functions).</li> <li>(d) The scope and main features of risk measurement systems.</li> <li>(e) Description of the process of risk information reporting provided to the board and senior management, in particular the scope and main content of reporting on risk exposure.</li> <li>(f) Qualitative information on stress testing (eg portfolios subject to stress testing, scenarios adopted and methodologies used, and use of stress testing in risk management).</li> <li>(g) The strategies and processes to manage, hedge and mitigate risks that arise from the bank's business model and the processes for monitoring the continuing effectiveness of hedges and mitigants.</li> </ul>

### b) Template OV1: Overview of RWA

<b>Purpose:</b> Provide an overview of total RWA forming the denominator of the risk-based capital requirements. Further breakdowns of RWAs are presented in subsequent parts.			
<b>Scope of application:</b> The template is mandatory for all banks.			
<b>Content:</b> Risk-weighted assets and capital requirements under Pillar 1.			
<b>Frequency:</b> Quarterly.			
<b>Format:</b> Fixed.			
<b>Accompanying narrative:</b> Banks are expected to identify and explain the drivers behind differences in reporting periods T and T-1 where these differences are significant. When minimum capital requirements in column (c) do not correspond to 8% of RWA in column (a), banks must explain the adjustments made. If the bank uses the IMM for its equity exposures under the market-based approach, it must provide annually a description of the main characteristics of its internal model in an accompanying narrative.			
	a	b	c
	RWA		Minimum capital requirements
	T	T-1	T
1	Credit risk (excluding counterparty credit risk) (CCR)		
2	Of which standardised approach (SA)		
3	Of which internal rating-based (IRB) approach		
4	Counterparty credit risk		
5	Of which standardised approach for counterparty credit risk (SA-CCR)		
6	Of which internal model method (IMM)		
7	Equity positions in banking book under market-based approach		
8	Equity investments in funds – look-through approach		
9	Equity investments in funds – mandate-based approach		
10	Equity investments in funds – fall-back approach		
11	Settlement risk		
12	Securitisation exposures in banking book		
13	Of which IRB ratings-based approach (RBA)		
14	Of which IRB Supervisory Formula Approach (SFA)		

15	Of which SA/simplified supervisory formula approach (SSFA)			
16	Market risk			
17	Of which standardised approach (SA)			
18	Of which internal model approaches (IMM)			
19	Operational risk			
20	Of which Basic Indicator Approach			
21	Of which Standardised Approach			
22	Of which Advanced Measurement Approach			
23	Amounts below the thresholds for deduction (subject to 250% risk weight)			
24	Floor adjustment			
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)			

**Definitions:**

*RWA*: risk-weighted assets according to the Basel framework and as reported in accordance with the subsequent parts of this document. Where the regulatory framework does not refer to RWA but directly to capital charges (eg for market risk and operational risk), banks should indicate the derived RWA number (ie by multiplying capital charge by 12.5).

*RWA (T-1)*: risk-weighted assets as reported in the previous Pillar 3 reporting report (ie at the end of the previous quarter).

*Capital requirement T*: Capital requirements at the reporting date calculated according to the Regulation on Measurement and Evaluation of Capital Adequacy of Banks. This will normally be RWA\*8% but may differ if a floor is applicable or adjustments (such as scaling factors) are applied at jurisdiction level.

*Credit risk (excluding counterparty credit risk)*: RWA and capital requirements according to the credit risk framework reported in Part 4 ; it excludes all positions subject to the securitisation regulatory framework, including securitisation exposures in the banking book (which are reported in row 12) and capital requirements relating to a counterparty credit risk charge, which are reported in row 4.

*Of which standardised approach*: RWA and capital requirements according to the credit risk standardised approach.

*Of which internal rating based approaches*: RWA and capital requirements according to the credit risk internal-rating based (IRB) approaches (Foundation Internal Ratings-Based (FIRB) and Advanced Internal Ratings-Based (AIRB)).

*Counterparty credit risk*: RWA and capital charges according to the counterparty credit risk framework, as reported in Part 5.

*Equity positions in the banking book under the market-based approach*: the amounts in row 7 correspond to RWA where the bank applies the market-based approach (simple risk-weight approach: described in paragraphs prg 17-20 of Annex 1 of the Communiqué on Calculation of the Risk Weighted Exposure Amount for Credit Risk by Internal-ratings Based Approaches) or internal models method (IMM) approach (described in paragraphs prg 24-25 of Annex 1 of the Communiqué on Calculation of the Risk Weighted Exposure Amount for Credit Risk by Internal-ratings Based Approaches). Where the regulatory treatment of equities is in accordance with the market-based/simple risk-weight method, the corresponding RWA are included in template CR10 and in row 7 of this template. Where the regulatory treatment of equities in the banking book is in accordance with the PD/LGD approach, the corresponding RWA and capital requirements are reported in template CR6 (portfolio Equity PD/LGD) and included in row 3 of this template. Where the regulatory treatment of equities is in accordance with the standardised approach, the corresponding RWA are reported in template CR4 and included in row 2 of this template).

*Settlement risk*: the amounts correspond to the requirements in Article 4 of Regulation on Measurement and Evaluation of Capital Adequacy of Banks. There is no corresponding template in this document.

*Securitisation exposures in banking book*: the amounts correspond to capital requirements applicable to the securitisation exposures in the banking book (Part 6 of this document). The RWA amounts must be derived from the capital requirements (they do not systematically correspond to RWA reported in SEC3 and SEC4, which are before application of the cap).

*Market risk*: the amounts reported in row 16 correspond to the capital requirements in the market risk framework (Part 7 of this document). It also includes capital charges for securitisation positions booked in the trading book but excludes the counterparty credit risk capital charges (reported in Part 5 of this document and row 4 of this template).

*Operational risk*: the amounts correspond to requirements set out in Part 8 of this document and the corresponding Regulation on Measurement and Evaluation of Capital Adequacy of Banks.

*Amounts below the thresholds for deduction (subject to 250% risk-weight)*:11 the amounts correspond to items subject to a 250% risk weight according to Annex I prg 73 of Regulation on Measurement and Evaluation of Capital Adequacy of

Banks. It includes in particular significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation and below the threshold for deduction, after application of the 250% risk weight.

*Floor adjustment:* this row must be used to disclose the impact of any Pillar 1 floor adjustment on total RWA and total capital so that the total row reflects the total RWA and total capital requirements, including such an adjustment. Pillar 2 adjustments applied do not need to be disclosed here. Floor or adjustments applied

*Floor adjustment:* this row must be used to disclose the impact of any Pillar 1 floor adjustment on total RWA and total capital so that the total row reflects the total RWA and total capital requirements, including such an adjustment. Pillar 2 adjustments applied do not need to be disclosed here. Floor or adjustments applied at a more granular level (eg at risk category level) must be reflected in the capital requirements reported for this risk category.

#### **Linkages across templates**

Amount in [OV1:2/a] is equal to [CR4:14/e]

Amount in [OV1:3/a] is equal to the sum of [CR6: Total (all portfolios)/i] + [CR10: Specialised lending total RWA for HVCRE and other than HVCRE]

Amount in [OV1:4/a] is equal to the sum of [CCR1:6/f+CCR2:4/b+CCR8:1/b+CCR8:11/b].

Amount in [OV1:7/a] is equal to the sum of [CR10/Equities exposures Simple risk-weight approach/Total RWA] + the RWA corresponding to the internal model method for equity exposures in the banking book (prg 24-25 of Annex 1 of the Communiqué on Calculation of the Risk Weighted Exposure Amount for Credit Risk by Internal-ratings Based Approaches)

Amount in [OV1:12/c] is equal to the sum of [SEC3:1/n + SEC3:1/o + SEC3:1/p + SEC3:1/q] + [SEC4:1/n + SEC4:1/o + SEC4:1/p + SEC4:1/q]

Amount in [OV1:17/a] is equal to [MR1:9/a]

Amount in [OV1:18/a] is equal to [MR2:8/f]

## PART THREE

### Linkages Between Financial Statements and Regulatory Exposures

**ARTICLE 9-** (1) Following issues related to linkages between regulatory exposure amounts and carrying values in financial statements shall be disclosed.

a) Template LII: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

<b>Purpose:</b> Columns (a) and (b) enable users to identify the differences between the scope of accounting consolidation and the scope of regulatory consolidation; and columns (c)–(g) break down how the amounts reported in banks’ financial statements (rows) correspond to regulatory risk categories. (note: the sum of amounts in columns (c)–(g) may not equal the amounts in column (b) as some items may be subject to regulatory capital charges in more than one risk category.)
<b>Scope of application:</b> The template is mandatory for all banks.
<b>Content:</b> Carrying values (corresponding to the values reported in financial statements).
<b>Frequency:</b> Annual.
<b>Format:</b> Flexible (but the rows must align with the presentation of the bank’s financial report).
<b>Accompanying narrative:</b> See LIA. Banks are expected to provide qualitative explanation on items that are subject to regulatory capital charges in more than one risk category.

	a	b	c	d	e	f	g
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Carrying values of items		
					Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
<b>Assets</b>							
Cash and balances at central bank							
Financial assets held for trading							
Financial assets designated at fair value through profit or loss							
<b>Banks</b>							
Receivables from money markets							
Available for sale financial assets (net)							
Loans and receivables							
Factoring receivables							
Held to maturity investments (net)							

Investments in associates (net)							
Investments in subsidiaries (net)							
Investments in joint ventures (net)							
Leasing receivables							
Derivative financial assets held for hedges							
Tangible assets (net)							
Intangible assets (net)							
Investment properties (net)							
Tax assets							
Non-current assets and disposal groups classified as held for sale (net)							
Other assets							
<b>Total assets</b>							
<b>Liabilities</b>							
Deposits							
Derivative financial liabilities held for trading							
Loans							
Debt to money markets							
Debt securities in issue							
Funds							
Various debts							
Other liabilities							
Factoring debts							
Debts from leasing transactions							
Derivative financial liabilities held for hedges							
Provisions							
Tax liability							
Liabilities included in disposal groups classified as held for sale (net)							
Subordinated debts							
Equity							
<b>Total liabilities</b>							

**Instructions**

**Rows**

The rows must strictly follow the balance sheet presentation used by the bank in its financial reporting.

**Columns**

If a bank's scope of accounting consolidation and its scope of regulatory consolidation are exactly the same, columns (a) and (b) should be merged.

The breakdown of regulatory categories (c) to (f) corresponds to the breakdown prescribed in the rest of the present document, ie column (c) corresponds to the carrying values of items other

than off-balance sheet items reported in Part 4 below; column (d) corresponds to the carrying values of items other than off-balance sheet items reported in Part 5 below, column (e) corresponds to carrying values of items in the banking book other than off-balance sheet items reported in Part 6 below; and column (f) corresponds to the carrying values of items other than off-balance sheet items reported in Part 7 below.

Column (g) includes amounts not subject to capital requirements according to the Basel framework or subject to deductions from regulatory capital.

Note: Where a single item attracts capital charges according to more than one risk category framework, it should be reported in all columns that it attracts a capital charge. As a consequence, the sum of amounts in columns (c) to (g) may be greater than the amount in column (b).

### b) Template LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

**Purpose:** Provide information on the main sources of differences (other than due to different scopes of consolidation which are shown in LI1) between the financial statements' carrying value amounts and the exposure amounts used for regulatory purposes.

**Scope of application:** The template is mandatory for all banks.

**Content:** Carrying values (that correspond to values reported in financial statements but according to the scope of regulatory consolidation (rows 1–3) and amounts considered for regulatory exposure purposes (row 10)).

**Frequency:** Annual.

**Format:** Flexible. Row headings shown below are provided for illustrative purposes only and should be adapted by the bank to describe the most meaningful drivers for differences between its financial statement carrying values and the amounts considered for regulatory purposes.

**Accompanying narrative:** See LIA.

		a	b	c	d	e
		Total	Items subject to credit risk framework	Items subject to securitisation framework	Items subject to counterparty credit risk framework	Items subject to market risk framework
1	<b>Asset carrying value amount under scope of regulatory consolidation (as per template LI1)</b>					
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)					
3	Total net amount under regulatory scope of consolidation					
4	Off-balance sheet amounts					
5	<i>Differences in valuations</i>					
6	<i>Differences due to different netting rules, other than those already included in row 2</i>					
7	<i>Differences due to consideration of provisions</i>					
8	<i>Differences due to prudential filters</i>					
9	...					
10	<b>Exposure amounts considered for regulatory purposes</b>					

**Instructions**

Amounts in rows 1 and 2, columns (b) to (e) correspond to the amounts in columns (c) to (f) of LII.

*Off-balance sheet amounts* include off-balance sheet original exposure in column (a) and the amounts subject to regulatory framework, after application of the credit conversion factors (CCFs) where relevant in columns (b) to (e).

The breakdown of columns in regulatory risk categories (b) to (e) corresponds to the breakdown prescribed in the rest of the document, ie column (b) credit risk corresponds to the exposures reported in Part 4 below, column (c) corresponds to the exposures reported in Part 5 below, column (d) corresponds to exposures reported in Part 6 below, and column (e) corresponds to the exposures reported in Part 7 below.

*Exposure amounts considered for regulatory purposes*: The expression designates the aggregate amount considered as a starting point of the RWA calculation for each of the risk categories. Under the credit risk framework this should correspond either to the exposure amount applied in the credit risk standardised approach (see Regulation on Measurement and Evaluation of Capital Adequacy of Banks) or to the exposures at default (EAD) in the credit risk – Internal Rating Based Approach (see Part 3 of Annex 1 of the Communiqué on Calculation of the Risk Weighted Exposure Amount for Credit Risk by Internal-ratings Based Approaches); securitisation exposures should be defined as in the securitisation framework (see Communiqué on Calculation of Risk Weighted Assets Related to Securitisation) counterparty credit exposures are defined as the exposure at default considered for counterparty credit risk purposes (see Annex 2 and 4 of Regulation on Measurement and Evaluation of Capital Adequacy of Banks); and market risk exposures correspond to positions subject to the market risk framework (see Regulation on Measurement and Evaluation of Capital Adequacy of Banks).

c) Table LIA: Explanations of differences between accounting and regulatory exposure amounts

<b>Purpose:</b> Provide qualitative explanations on the differences observed between accounting carrying value (as defined in LI1) and amounts considered for regulatory purposes (as defined in LI2) under each framework.
<b>Scope of application:</b> The template is mandatory for all banks.
<b>Content:</b> Qualitative information.
<b>Frequency:</b> Annual.
<b>Format:</b> Flexible.
Banks must explain the origins of the differences between accounting amounts, as reported in financial statements amounts and regulatory exposure amounts, as displayed in templates LI1 and LI2.
<p>a) Banks must explain the origins of any significant differences between the amounts in columns (a) and (b) in LI1.</p> <p>b) Banks must explain the origins of differences between carrying values and amounts considered for regulatory purposes shown in LI2.</p> <p>c) In accordance with the implementation of the guidance on prudent valuation (Regulation on Measurement and Evaluation of Capital Adequacy of Banks Annex 3) banks must describe systems and controls to ensure that the valuation estimates are prudent and reliable. Disclosure must include:</p> <ul style="list-style-type: none"> <li>• Valuation methodologies, including an explanation of how far mark-to-market and mark-to-model methodologies are used.</li> <li>• Description of the independent price verification process.</li> <li>• Procedures for valuation adjustments or reserves (including a description of the process and the methodology for valuing trading positions by type of instrument).</li> </ul>

## PART FOUR

### Credit Risk Disclosure

**ARTICLE 10-** (1) Items subject to credit risk other than those subject to securitization positions and counterparty credit are disclosed below.

a) General information about credit risk

1) Table CRA: General qualitative information about credit risk

<b>Purpose:</b> Describe the main characteristics and elements of credit risk management (business model and credit risk profile, organisation and functions involved in credit risk management, risk management reporting).
<b>Scope of application:</b> The template is mandatory for all banks.
<b>Content:</b> Qualitative information.
<b>Frequency:</b> Annual.
<b>Format:</b> Flexible.
Banks must describe their risk management objectives and policies for credit risk, focusing in particular on: <ul style="list-style-type: none"> <li>a) How the business model translates into the components of the bank's credit risk profile</li> <li>b) Criteria and approach used for defining credit risk management policy and for setting credit risk limits</li> <li>c) Structure and organisation of the credit risk management and control function</li> <li>d) Relationships between the credit risk management, risk control, compliance and internal audit functions</li> <li>e) Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the board of directors</li> </ul>

2) Template CR1: Credit quality of assets

<b>Purpose:</b> Provide a comprehensive picture of the credit quality of a bank's (on- and off-balance sheet) assets.
<b>Scope of application:</b> The template is mandatory for all banks.
<b>Content:</b> Carrying values (corresponding to the accounting values according to TMS reported in financial statements but according to the scope of regulatory consolidation).

<b>Frequency: Semiannual.</b>					
<b>Format:</b> Fixed. (The agency may require a more granular breakdown of asset classes, but rows 1 to 4 as defined below are mandatory for all banks).					
<b>Accompanying narrative:</b> Banks must include their definition of default in an accompanying narrative.					
		a	b	c	d
		Gross carrying values of (according to TMS)		Allowances/impairments	Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		
1	Loans				
2	Debt Securities				
3	Off-balance sheet exposures				
4	<b>Total</b>				
<b>Definitions</b>					
Gross carrying values: on- and off-balance sheet items that give rise to a credit risk exposure according to the Basel framework. On-balance sheet items include loans and debt securities. Off-balance sheet items must be measured according to the following criteria: (a) guarantees given – the maximum amount that the bank would have to pay if the guarantee were called. The amount must be gross of any credit conversion factor (CCF) or credit risk mitigation (CRM) techniques. (b) Irrevocable loan commitments – total amount that the bank has committed to lend. The amount must be gross of any CCF or CRM techniques. Revocable loan commitments must not be included. The gross value is the accounting value before any allowance/impairments but after considering write-offs. Banks must not take into account any credit risk mitigation technique.					
Write-offs for the purpose of this template are related to a direct reduction of the carrying amount when the entity has no reasonable expectations of recovery.					
Defaulted exposures: Banks should use the definition of default that they also use for regulatory purposes. Banks must provide this definition of default in the accompanying narrative.					
Non-defaulted exposures: any exposure not meeting the above definition of default.					
Allowances/impairments: total amount of impairments, made via an allowance against impaired and not impaired exposures (may correspond to general reserves in certain jurisdictions or may be made via allowance account or direct reduction – direct write-down in some jurisdictions) according to the applicable accounting framework.					
Net values: Total gross value less allowances/impairments.					
<b>Linkages across templates</b>					
Amount in [CR1:1/d] is equal to the sum [CR3:1/a] + [CR3:1/b].					
Amount in [CR1:2/d] is equal to the sum [CR3:2/a] + [CR3:2/b].					
Amount in [CR1:4/a] is equal to [CR2:6/a]					

### 3) Template CR2: Changes in stock of defaulted loans and debt securities

<b>Purpose:</b> Identify the changes in a bank's stock of defaulted exposures, the flows between non-defaulted and defaulted exposure categories and reductions in the stock of defaulted exposures due to write-offs.		
<b>Scope of application:</b> The template is mandatory for all banks.		
<b>Content:</b> Carrying values (according to TMS).		
<b>Frequency:</b> Semiannual.		
<b>Format:</b> Fixed. (Agency may ask for additional columns to provide a further breakdown of exposures by counterparty type).		
<b>Accompanying narrative:</b> Banks are expected to explain the drivers of any significant changes in the amounts of defaulted exposures from the previous reporting period and any significant movement between defaulted and non-defaulted loans.		
		a
1	<b>Defaulted loans and debt securities at end of the previous reporting period</b>	
2	Loans and debt securities that have defaulted since the last reporting period	
3	Returned to non-defaulted status	
4	Amounts written off	
5	Other changes	
6	<b>Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)</b>	
<b>Definitions</b>		
Defaulted exposure: such exposures must be reported net of write-offs and gross of (ie ignoring) allowances/impairments.		
Loans and debt securities that have defaulted since the last reporting period: refers to any loan or debt securities that became marked as defaulted during the reporting period.		
Return to non-defaulted status: refers to loans or debt securities that returned to non-default status during the reporting period.		
Amounts written off: both total and partial write-offs.		

Other changes: balancing items that are necessary to enable total to reconcile.

#### 4) Table CRB: Additional disclosure related to the credit quality of assets

<b>Purpose:</b> Supplement the quantitative templates with information on the credit quality of a bank's assets.
<b>Scope of application:</b> The table is mandatory for all banks.
<b>Content:</b> Additional qualitative and quantitative information (carrying values).
<b>Frequency:</b> Annual.
<b>Format:</b> Flexible
Banks must provide the following disclosures:
<b>Qualitative disclosures</b>
a) The scope and definitions of "past due" and "impaired" exposures used for accounting purposes and the differences, if any, between the definition of past due and default for accounting and regulatory purposes.
b) The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this.
c) Description of methods used for determining impairments.
d) The bank's own definition of a restructured exposure.
<b>Quantative disclosures</b>
a) Breakdown of exposures by geographical areas, industry and residual maturity;
b) Amounts of impaired exposures (according to the definition used by the bank for accounting purposes) and related allowances and write-offs, broken down by geographical areas and industry;
c) Ageing analysis of accounting past-due exposures;
d) Breakdown of restructured exposures between impaired and not impaired exposures.

#### b) Credit Risk Mitigation

##### 1) Table CRC: Qualitative disclosure requirements related to credit risk mitigation techniques

<b>Purpose:</b> Provide qualitative information on the mitigation of credit risk.
<b>Scope of application:</b> The template is mandatory for all banks.
<b>Content:</b> Qualitative information.
<b>Frequency:</b> Annual.
<b>Format:</b> Flexible
Banks must disclose:
a) Core features of policies and processes for, and an indication of the extent to which the bank makes use of, on- and off-balance sheet netting.
b) Core features of policies and processes for collateral evaluation and management.
c) Information about market or credit risk concentrations under the credit risk mitigation instruments used (ie by guarantor type, collateral and credit derivative providers).

##### 2) Template CR3: Credit risk mitigation techniques – overview

<b>Purpose:</b> Disclose the extent of use of credit risk mitigation techniques.							
<b>Scope of application:</b> The template is mandatory for all banks.							
<b>Content:</b> Carrying values (according to TMS). Banks must include all CRM techniques used to reduce capital requirements and disclose all secured exposures, irrespective of whether the SA or IRB approach is used for risk-weighted assets calculation.							
<b>Frequency:</b> Semiannual.							
<b>Format:</b> Fixed. (Agency may ask for additional sub-rows to provide a more detailed breakdown in rows but must retain the four rows listed below.) Where banks are unable to categorise exposures secured by collateral, financial guarantees or credit derivative into "loans" and "debt securities", they can either (i) merge two corresponding cells, or (ii) divide the amount by the pro-rata weight of gross carrying values; they must explain which method they have used.							
<b>Accompanying narrative:</b> Banks are expected to supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes.							
	a	b	c	d	e	f	g
	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which:	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount

				amount		secured amount		
1	Loans							
2	Debt securities							
3	<b>Total</b>							
4	Of which defaulted							

#### Definitions

Exposures unsecured- carrying amount (according to TMS): carrying amount (according to TMS) of exposures (net of allowances/impairments) that do not benefit from a credit risk mitigation technique.

Exposures secured by collateral: carrying amount of exposures (net of allowances/ impairments) partly or totally secured by collateral, regardless of what portion of the original exposure is secured.

Exposures secured by collateral – of which secured amount: amounts of the exposure portions, which are secured by collateral. Where the value of the collateral (meaning the amount that the collateral can be settled for) exceeds the value of the exposure, the bank must report the exposure amount (ie it does not report the over-collateralisation).

Exposures secured by financial guarantees: carrying amount of exposures (net of allowances/impairments) partly or totally secured by financial guarantees, regardless of what portion of the original exposure is guaranteed.

Exposures secured by financial guarantees – of which secured amount: amounts of the exposure portions, which are covered by the financial guarantee. Where the value of the guarantee (amount that can be obtained if the guarantee is called) is above the amount of the exposure, the bank must report the amount of the exposure, ie not to report the excess value.

Exposures secured by credit derivatives: carrying amount of exposures (net of allowances/ impairments) partly or totally secured by credit derivatives, regardless of what portion of the original exposure is secured.

Exposures secured by credit derivatives – of which secured amount: amounts of the exposure portions which are secured by the credit derivatives. Where the value of the credit derivative (amount that the credit derivative can be settled for) is above the amount of the exposure, the bank must report the amount of the exposure, ie not to report the excess value.

### c) Credit risk under standardised approach

#### 1) Table CRD: Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

<b>Purpose:</b> Supplement the information on a bank's use of the standardised approach with qualitative data on the use of external ratings.
<b>Scope of application:</b> The table is mandatory for all banks that: (a) use the credit risk standardised approach (or the simplified standardised approach); and (b) make use of external credit ratings for their RWA calculation. In order to provide meaningful information to users, the bank may choose not to disclose the information requested in the table if the exposures and RWA amounts are negligible. It is however required to explain why it considers the information not to be meaningful to users, including a description of the portfolios concerned and the aggregate total RWAs these portfolios represent.
<b>Content:</b> Qualitative information.
<b>Frequency:</b> Annual.
<b>Format:</b> Flexible
For portfolios that are risk-weighted under the standardised approach for credit risk, banks must disclose the following information: <ul style="list-style-type: none"> <li>a) Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) used by the bank, and the reasons for any changes over the reporting period;</li> <li>b) The asset classes for which each ECAI or ECA is used;</li> <li>c) A description of the process used to transfer the issuer to issue credit ratings onto comparable assets in the banking book</li> <li>d) The alignment of the alphanumerical scale of each agency used with risk buckets (except where Agency (BRSA) publishes a standard mapping with which the bank has to comply).</li> </ul>

## 2) Template CR4: Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects

<b>Purpose:</b> Illustrate the effect of CRM (comprehensive and simple approach) on standardised approach capital requirements' calculations. RWA density provides a synthetic metric on riskiness of each portfolio.							
<b>Scope of application:</b> The template is mandatory for banks using the standardised or the simplified standardised approach. For banks using other than the standardised approach for most of their credit exposures, exposures and RWA amounts under the standardised approach may be negligible. In such circumstances, and to provide only meaningful information to users, the bank may choose not to disclose the template for the exposures treated under the standardised approach. The bank must however explain why it considers the information not to be meaningful to users. The explanation must include a description of the exposures included in the respective portfolios and the aggregate total of RWAs from such exposures.							
<b>Content:</b> Regulatory exposure amounts.							
<b>Frequency:</b> Semiannual.							
<b>Format:</b> Fixed. (The columns cannot be altered. The rows reflect the asset classes as defined under the Regulation on Measurement and Evaluation of Capital Adequacy of Banks. Agency may amend the rows to reflect any differences in their implementation of the standardised approach.)							
<b>Accompanying narrative:</b> Banks are expected to supplement the template with a narrative commentary to explain any significant change over the reporting period and the key drivers of such changes.							
		a	b	c	d	e	f
		<b>Exposures before CCF and CRM</b>		<b>Exposures post-CCF and CRM</b>		<b>RWA and RWA density</b>	
	<b>Asset classes</b>	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks						
2	Exposures to regional governments or local authorities						
3	Exposures to public sector entities						
4	Exposures to multilateral development banks						
5	Exposures to international organisations						
6	Exposures to institutions						
7	Exposures to corporates						
8	Retail exposures						
9	Exposures secured by residential property						
10	Exposures secured by commercial real estate						
11	Past-due loans						
12	Higher-risk categories by the Agency Board						

13	Exposures in the form of covered bonds						
14	Exposures to institutions and corporates with a short-term credit assessment						
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)						
16	Other assets						
12	Investments in equities						
18	<b>Total</b>						
<p><b>Definitions</b></p> <p><b>Rows:</b> Higher-risk categories by the Agency Board: Banks must include the exposures included in paragraphs 59 and 60 of Appendix 1 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks. Other assets: refers to assets subject to specific risk weight as set out by paragraph 75 to 82 of Appendix 1 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks.</p> <p><b>Columns:</b> consolidation gross of (ie before taking into account) the effect of credit risk mitigation techniques. Exposures before CCF and CRM – Off-balance sheet amount: banks must disclose the exposure value, gross of conversion factors and the effect of credit risk mitigation techniques under the regulatory scope of consolidation. Credit exposure post-CCF and post-CRM: This is the amount to which the capital requirements are applied. It is a net credit equivalent amount, after having applied CRM techniques and CCF. RWA density: Total risk-weighted assets/exposures post-CCF and post-CRM. The result of the ratio must be expressed as a percentage.</p> <p><b>Linkage across templates</b> [CR4:18/c]+ [CR4:18/d] = [CR5:18/j]</p>							

### 3) Template CR5: Standardised approach – exposures by asset classes and risk weights

<p><b>Purpose:</b> Present the breakdown of credit risk exposures under the standardised approach by asset class and risk weight (corresponding to the riskiness attributed to the exposure according to standardised approach).</p>
<p><b>Scope of application:</b> The template is mandatory for banks using the standardised or the simplified standardised approach. For banks using other than the standardised approach for most of their credit exposures, exposures and RWA amounts under the standardised approach may be negligible. In such circumstances, and to provide only meaningful information to users, the bank may choose not to disclose the template for the exposures treated under the standardised approach. The bank must however explain why it considers the information not to be meaningful to users. The explanation must include a description of the exposures included in the respective portfolios and the aggregate total of RWAs from such exposures.</p>
<p><b>Content:</b> Regulatory exposure values.</p>
<p><b>Frequency:</b> Semiannual.</p>
<p><b>Format:</b> Fixed. Agency may amend the rows and columns to reflect any difference applied in their implementation of the standardised approach.</p>
<p><b>Accompanying narrative:</b> Banks are expected to supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes.</p>

		a	b	c	d	e	f	g	h	i	j
	Asset classes/ Risk weight*	%0	%10	%20	%50 (secured by real estate)	%75	%100	%150	%200	Other risk weights	Total credit risk exposure amount (after CCF and CRM)
1	Exposures to central governments or central banks										
2	Exposures to regional governments or local authorities										
3	Exposures to public sector entities										
4	Exposures to multilateral development banks										
5	Exposures to international organisations										
6	Exposures to institutions										
7	Exposures to corporates										
8	Retail exposures										
9	Exposures secured by residential property										
10	Exposures secured by commercial real estate										
11	Past-due loans										
12	Higher-risk categories by the Agency Board										
13	Exposures in the form of covered bonds										
14	Exposures to institutions and corporates with a short-term credit assessment										
15	Exposures in the form of units or										

	shares in collective investment undertakings (CIUs)										
16	Other assets										
12	Investments in equities										
<b>18</b>	<b>Total</b>										
		<p><b>Definitions</b></p> <p>Total credit exposure amount (post-CCF and CRM): the amount used for the capital requirements calculation (both for on- and off-balance sheet amounts), therefore net of allowances and write-offs and after having applied CRM techniques and CCF but before the application of the relevant risk weights.</p> <p>Past-due loans: past-due loans correspond to the unsecured portion of any loan past due for more than 90 days, as defined in paragraph 75 of the Basel framework.</p> <p>Higher-risk categories: Banks must include in this row the exposures included in paragraphs 59 and 60 of Appendix 1 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks. Exposures reported in this row should not be reported in the rows above.</p> <p>Other assets: refers to assets subject to specific risk weight set out by paragraph 75 to 82 of Appendix 1 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks.</p>									

## ç) Credit risk under IRB Approach

### 1) Table CRE: Qualitative disclosures related to IRB models

<b>Purpose:</b> Provide additional information on IRB models used to compute RWA.
<b>Scope of application:</b> The table is mandatory for banks using fundamental IRB or advanced IRB approaches for some or all of their exposures. To provide meaningful information to users, the bank must describe the main characteristics of the models used at the group-wide level (according to the scope of regulatory consolidation) and explain how the scope of models described was determined. The commentary must include the percentage of RWAs covered by the models for each of the bank's regulatory portfolios.
<b>İçerik:</b> Qualitative information
<b>Content:</b> Qualitative information.
<b>Frequency:</b> Annual.
<b>Format:</b> Flexible.
Banks must provide the following information on their use of IRB models: <ul style="list-style-type: none"><li>(a) Internal model development, controls and changes: role of the functions involved in the development, approval and subsequent changes of the credit risk models.</li><li>(b) Relationships between risk management function and internal audit function and procedure to ensure the independence of the function in charge of the review of the models from the functions responsible for the development of the models.</li><li>(c) Scope and main content of the reporting related to credit risk models.</li><li>(d) Scope of the supervisor's acceptance of approach.</li><li>(e) For each of the portfolios, the bank must indicate the part of EAD within the group (in percentage of total EAD) covered by standardised, foundation IRB and advanced IRB approach and the part of portfolios that are involved in a roll-out plan.</li><li>(f) The number of key models used with respect to each portfolio, with a brief discussion of the main differences among the models within the same portfolios.</li><li>(g) Description of the main characteristics of the approved models:<ul style="list-style-type: none"><li>(i) definitions, methods and data for estimation and validation of PD (eg how PDs are estimated for low default portfolios; if there are regulatory floors; the drivers for differences observed between PD and actual default rates at least for the last three periods); and where applicable:<ul style="list-style-type: none"><li>(ii) LGD (eg methods to calculate downturn LGD; how LGDs are estimated for low default portfolio; the time lapse between the default event and the closure of the exposure);</li><li>(iii) credit conversion factors, including assumptions employed in the derivation of these variables;</li></ul></li></ul></li></ul>

## 2) Template CR6: IRB – Credit risk exposures by portfolio and PD range

<b>Purpose:</b> Provide main parameters used for the calculation of capital requirements for IRB models. The purpose of disclosing these parameters is to enhance the transparency of banks' RWA calculations and the reliability of regulatory measures.
<b>Scope of application:</b> The template is mandatory for banks using either the foundation IRB or the advanced IRB approach for some or all of their exposures.
<b>Content:</b> Columns (a) and (b) are based on accounting carrying values and columns (c) to (l) are regulatory values. All are based on the scope of regulatory consolidation.
<b>Frequency:</b> Semiannual.
<b>Format:</b> Fixed. The columns, their contents and the PD scale in the rows cannot be altered, but the portfolio breakdown in the rows should be set to reflect exposure categories according to implementation of the IRB approaches in accordance with provisions of Communiqué on Calculation of Credit Risk Amount with Internal Rating Based Approaches and permission of Agency. Where a bank makes use of both FIRB and AIRB approaches, it must disclose one template for each approach.
<b>Accompanying narrative:</b> Banks are expected to supplement the template with a narrative to explain the effect of credit derivatives on risk-weighted amounts.

	PD scale	a Original on-balance sheet gross exposure	b Off-balance sheet exposures pre CCF	c Average CCF	d EAD post CRM and post-CCF	e Average PD	f Number of obligors	g Average LGD	h Average maturity	i RWA	j RWA density	k EL	l Provisions
Portfolio X													
	0 – 0,15												
	0,15 – 0,25												
	0,25 – 0,5												
	0,5 – 0,75												
	0,75 – 2,5												
	2,5 – 10												
	10 – 100												
	100 (Default)												
	Sub-total												
	<b>Toplam (bütün portföyler)</b>												
<b>Definitions</b>													
<b>Rows</b>													
<i>Portfolio X</i> includes the following prudential portfolios for the FIRB approach: (i) Sovereign; (ii) Banks; (iii) Corporate; (iv) Corporate – Specialised Lending; (v) Equity (PD/LGD)													

methods described in paragraphs 350–358 of Basel II and paragraph 90, second bullet, of Basel III); (vi) Purchased receivables, and the following prudential portfolios for the AIRB approach: (i) Sovereign; (ii) Banks; (iii) Corporate; (iv) Corporate – Specialised Lending; (v) Equity (PD/LGD method as described in paragraphs 350–358 of Basel II and paragraph 90, second bullet, of Basel III); (vi) Retail – qualifying revolving (QRRE); (vii) Retail – Residential mortgage exposures; (viii) Retail – SME; (ix) Other retail exposures; (x) Purchased receivables. Information on FIRB and AIRB portfolios, respectively, must be reported in two separate templates.

*Default:* The data on defaulted exposures may be further broken down according to jurisdiction’s definitions for categories of defaulted exposures.

### **Columns**

**PD scale:** Exposures shall be broken down according to the PD scale used in the template instead of the PD scale used by banks in their RWA calculation. Banks must map the PD scale they use in the RWA calculations into the PD scale provided in the template.

*Original on-balance sheet gross exposure:* amount of the on-balance sheet exposure gross of accounting provisions (before taking into account the effect of credit risk mitigation techniques).

*Off-balance sheet exposure pre conversion factor:* exposure value without taking into account value adjustments and provisions, conversion factors and the effect of credit risk mitigation techniques.

*Average CCF:* EAD post-conversion factor for off-balance sheet exposure to total off-balance sheet exposure preconversion factor.

*EAD post-CRM:* the amount relevant for the capital requirements calculation.

*Number of obligors:* corresponds to the number of individual PDs in this band. Approximation (round number) is acceptable.

*Average PD:* obligor grade PD weighted by EAD.

*Average LGD:* the obligor grade LGD weighted by EAD. The LGD must be net of any CRM effect.

*Average maturity:* the obligor maturity in years weighted by EAD; this parameter needs to be filled in only when it is used for the RWA calculation.

*RWA density:* Total risk-weighted assets to EAD post-CRM.

*EL:* the expected losses as calculated according to provisions of Communiqué on Calculation of Credit Risk Amount with Internal Rating Based Approaches;

*Provisions:* provisions calculated according to provisions of Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside.

### 3) Template CR7: IRB – Effect on RWA of credit derivatives used as CRM techniques

<b>Purpose:</b> Illustrate the effect of credit derivatives on the IRB approach capital requirements' calculations. The pre-credit derivatives RWA before taking account of credit derivatives mitigation effect has been selected to assess the impact of credit derivatives on RWA. This is irrespective of how the CRM technique feeds into the RWA calculation.			
<b>Scope of application:</b> The template is mandatory for banks using the AIRB and/or FIRB approaches for some or all of their exposures.			
<b>Content:</b> Risk-weighted assets (subject to credit risk treatment).			
<b>Frequency:</b> Semiannual.			
<b>Format:</b> Fixed.			
<b>Accompanying narrative:</b> Banks may supplement the template with a narrative commentary to explain the effect of credit derivatives on the bank's RWAs.			
		a	b
		pre-credit derivatives RWA	Actual RWA
1	Sovereign –Foundation IRB		
2	Sovereign – Advanced IRB		
3	Banks – Foundation IRB		
4	Banks – Advanced IRB		
5	Corporate –Foundation IRB		
6	Corporate – Advanced IRB		
7	Specialised lending – Foundation IRB		
8	Specialised lending – Advanced IRB		
9	Retail – qualifying revolving (QRRE)		
10	Retail – residential mortgage exposures		
11	Retail –SME		
12	Other retail exposures		
13	Equity – Foundation IRB		
14	Equity – Advanced IRB		
15	Purchased receivables – Foundation IRB		
16	Purchased receivables – Advanced IRB		
17	<b>Total</b>		
Pre-credit derivatives RWA: hypothetical RWA calculated assuming the absence of recognition of the credit derivative as a CRM technique.			
Actual RWA: RWA calculated taking into account the CRM technique impact of the credit derivative.			

### 4) Template CR8: RWA flow statements of credit risk exposures under IRB

<b>Purpose:</b> Present a flow statement explaining variations in the credit risk-weighted assets (RWA) determined under an IRB approach.		
<b>Scope of application:</b> The template is mandatory for banks using the foundation IRB and/or advanced IRB approaches.		
<b>Content:</b> Risk-weighted assets corresponding to credit risk only (counterparty credit risk excluded). Changes in RWA amounts over the reporting period for each of the key drivers should be based on a bank's reasonable estimation of the figure.		
<b>Frequency:</b> Quarterly.		
<b>Format:</b> Fixed. Columns and rows 1 and 9 cannot be altered. Banks may add additional rows between rows 7 and 8 to disclose additional elements that contribute significantly to RWA variations.		
<b>Accompanying narrative:</b> Banks are expected to supplement the template with a narrative commentary to explain any significant change over the reporting period and the key drivers of such changes.		
		a
		<b>RWA amounts</b>
<b>1</b>	<b>RWA as at end of previous reporting period</b>	
2	Asset size	
3	Asset quality	
4	Model updates	
5	Methodology and policy	
6	Acquisitions and disposals	

7	Foreign exchange movements	
8	Other	
9	<b>RWA as at end of reporting period</b>	

*Asset size:* organic changes in book size and composition (including origination of new businesses and maturing loans) but excluding changes in book size due to acquisitions and disposal of entities.

*Asset quality:* changes in the assessed quality of the bank’s assets due to changes in borrower risk, such as rating grade migration or similar effects.

*Model updates:* changes due to model implementation, changes in model scope, or any changes intended to address model weaknesses.

*Methodology and policy:* changes due to methodological changes in calculations driven by regulatory policy changes, including both revisions to existing regulations and new regulations.

*Acquisitions and disposals:* changes in book sizes due to acquisitions and disposal of entities.

*Foreign exchange movements:* changes driven by market movements such as foreign exchange movements.

*Other:* this category must be used to capture changes that cannot be attributed to any other category. Banks should add additional rows between rows 7 and 8 to disclose other material drivers of RWA movements over the reporting period.

### 5) Template CR9: IRB – Backtesting of probability of default (PD) per portfolio

<b>Purpose:</b> Provide backtesting data to validate the reliability of PD calculations. In particular, the template compares the PD used in IRB capital calculations with the effective default rates of bank obligors. A minimum five-year average annual default rate is required to compare the PD with a “more stable” default rate, although a bank may use a longer historical period that is consistent with its actual risk management practices.
<b>Scope of application:</b> The template is mandatory for banks using the foundation IRB and/or advanced IRB approaches. Where a bank makes use of a foundation IRB approach for certain exposures and an advanced IRB approach for others, it must disclose two separate sets of portfolio breakdown in separate templates. To provide meaningful information to users on the backtesting of their internal models through this template, the bank must include in this template the key models used at the group-wide level (according to the scope of regulatory consolidation) and explain how the scope of models described was determined. The commentary must include the percentage of RWAs covered by the models for which backtesting results are shown here for each of the bank’s regulatory portfolios.
<b>Content:</b> Modelling parameters used in IRB calculation.
<b>Frequency:</b> Annual.
<b>Format:</b> Flexible.
<b>Accompanying narrative:</b> Banks are expected to supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes. Banks may wish to supplement the template when disclosing the amount of exposure and the number of obligors whose defaulted exposures have been cured in the year.

a	b	c	d	e	f		g	h	i
					Number of obligors				
Portfolio*	PD Range	External rating equivalent	Weighted average PD	Arithmetic average PD by obligors	End of previous year	End of the year	Defaulted obligors in the year	of which: new defaulted obligors in the year	Average historical annual default rate

\* Portfolio includes the following portfolios for the foundation IRB approach:

(i) Sovereign; (ii) Banks; (iii) Corporate; (iv) Corporate – Specialised lending; (v) Equity (PD/LGD method); (vi) Purchased receivables, and the following portfolios for the AIRB approach:

(i) Sovereign; (ii) Banks; (iii) Corporate; (iv) Corporate - Specialised Lending; (v) Equity (PD/LGD method); (vi) Retail – qualifying revolving (QRRE); (vii) Retail – Residential mortgage exposures; (viii) Retail – SME; (ix) Other retail exposures; (x) Purchased receivables.

*External rating equivalent:* one column has to be filled in for each rating agency authorised for prudential purposes in the jurisdictions where the bank operates;

*Weighted average PD:* the same as reported in template CR6;

*Arithmetic average PD by obligors:* PD within range by number of obligor within the range;

*Number of obligors:* two sets of information are required: (i) the number of obligors at the end of the previous year; (ii) the number of obligors at the end of the year subject to reporting;

*Defaulted obligors in the year:* number of defaulted obligors during the year; of which: new obligors defaulted in the year: number of obligors having defaulted during the last 12-month period that were not funded at the end of the previous financial year;

*Average historical annual default rate:* the five-year average of the annual default rate (obligors at the beginning of each year that are defaulted during that year/total obligor hold at the beginning of the year) is a minimum. The bank may use a longer historical period that is consistent with the bank's actual risk management practices.

6) Template CR10: IRB (specialised lending and equities under the simple risk-weight method)

<b>Purpose:</b> Provide quantitative disclosures of banks' specialised lending and equity exposures using the simple risk-weight approach.											
<b>Scope of application:</b> The template is mandatory for banks using one of the approaches included in the template.											
<b>Content:</b> Carrying values (according to TMS), exposure amounts and RWA.											
<b>Frequency:</b> Semiannual.											
<b>Format:</b> Flexible.											
<b>Accompanying narrative:</b> Banks are expected to supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes.											
Specialised lending											
Other than high-volatility commercial real estate											
Regulatory categories	Remaining maturity	On-balance sheet amount	Off-balance sheet amount	RW	Exposure amount					RWA	Expected losses
					Project Finance	Object Finance	Commodities Finance	Income Producing Real Estate	Total		
Strong	<2,5 years			%50							
	≥2,5 years			%70							
Good	<2,5 years			%70							
	≥2,5 years			%90							
Satisfactory				%115							
Weak				%250							
Default				-							
Total											
High-volatility commercial real estate											
Regulatory categories	Remaining maturity	On-balance sheet amount	Off-balance sheet amount	RW	Exposure amount					RWA	Expected losses
Strong	<2,5 y1l			%50							
	≥2,5 y1l			%70							
Good	<2,5 y1l			%70							
	≥2,5 y1l			%90							
Satisfactory				%115							
Weak				%250							
Default				-							
Total											

Equities under the simple risk-weight approach					
Categories	On-balance sheet amount	Off-balance sheet amount	RW	Exposure amount	RWA
Exchange-traded equity exposures			%300		
Other equity exposures			%400		
Total					
<p><b>Definitions</b></p> <p><i>On-balance sheet amount:</i> banks must disclose the amount of exposure (net of allowances and write-offs) under the regulatory scope of consolidation.</p> <p><i>Off-balance sheet amount:</i> banks must disclose the exposure value without taking into account conversion factors and the effect of credit risk mitigation techniques.</p> <p><i>Exposure amount:</i> the amount relevant for the capital requirement's calculation, therefore after having applied CRM techniques and CCF.</p> <p><i>Expected losses:</i> amount of expected losses calculated according to provisions of Communiqué on Calculation of Credit Risk Amount with Internal Rating Based Approaches.</p>					

## PART FIVE

### Counterparty Credit Risk

**ARTICLE 11-** (1) The counterparty credit risk section includes all exposures in the banking book and trading book that are subject to a counterparty credit risk charge, including the CVA capital charges and charges applied to exposures to central counterparties

a) Table CCRA: Qualitative disclosure related to counterparty credit risk

<b>Purpose:</b> Describe the main characteristics of counterparty credit risk management (eg operating limits, use of guarantees and other CRM techniques, impacts of own credit downgrading).
<b>Scope of application:</b> The table is mandatory for all banks.
<b>Content:</b> Qualitative information.
<b>Frequency:</b> Annual.
<b>Format:</b> Flexible
Banks must provide the following information (a) Risk management objectives and policies related to counterparty credit risk, including: (b) The method used to assign the operating limits defined in terms of internal capital for counterparty credit exposures and for CCP exposures; (c) Policies relating to guarantees and other risk mitigants and assessments concerning counterparty risk, including exposures towards CCPs; (d) Policies with respect to wrong-way risk exposures; (e) The impact in terms of the amount of collateral that the bank would be required to provide given a credit rating downgrade.

b) Template CCR1: Analysis of counterparty credit risk (CCR) exposure by approach

<b>Purpose:</b> Provide a comprehensive view of the methods used to calculate counterparty credit risk regulatory requirements and the main parameters used within each method.
<b>Scope of application:</b> The template is mandatory for all banks.
<b>Content:</b> Regulatory exposures, RWA and parameters used for RWA calculations for all exposures subject to the counterparty credit risk framework (excluding CVA charges or exposures cleared through a CCP).
<b>Frequency:</b> Semiannual.
<b>Format:</b> Fixed.
<b>Accompanying narrative:</b> Banks are expected to supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes.

		a	b	c	d	e	F
		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post CRM	RWA
1	SA-CCR (for derivatives)				1,4		
2	Internal Model Method (for derivatives and SFTs)						
3	Simple Approach for credit risk mitigation (for SFTs)						
4	Comprehensive Approach for credit risk mitigation (for SFTs)						
5	VaR for SFTs						
6	Total						

**Definitions:**

Replacement Cost (RC): For trades that are not subject to margining requirements, the RC is the loss that would occur if a counterparty were to default and was closed out of its transactions immediately. For margined trades, it is the loss that would occur if a counterparty were to default at present or at a future date, assuming that the closeout and replacement of transactions occur instantaneously. However, closeout of a trade upon a counterparty default may not be instantaneous. The replacement cost under the Current Exposure Method is described under Annex 2 of Regulation on Measurement and Evaluation of Capital Adequacy of Banks.

Potential Future Exposure is any potential increase in exposure between the present and up to the end of the margin period of risk. The potential future exposure for the Current Exposure Method is described under Annex 2 of Regulation on Measurement and Evaluation of Capital Adequacy of Banks.

Effective Expected Positive Exposure (EEPE) is the weighted average over time of the effective expected exposure over the first year, or, if all the contracts in the netting set mature before one year, over the time period of the longest-maturity contract in the netting set where the weights are the proportion that an individual expected exposure represents of the entire time interval.

EAD post-CRM: exposure at default. This refers to the amount relevant for the capital requirements calculation having applied CRM techniques, credit valuation adjustments.

## c) Template CCR2: Credit valuation adjustment (CVA) capital charge

<b>Purpose:</b> Provide the CVA regulatory calculations (with a breakdown by standardised and advanced approaches).			
<b>Scope of application:</b> The template is mandatory for all banks with exposures subject to CVA capital charges.			
<b>Content:</b> Risk-weighted assets and corresponding exposures at default.			
<b>Frequency:</b> Semiannual.			
<b>Format:</b> Fixed			
<b>Accompanying narrative:</b> Banks are expected to supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes.			
		a	b
		EAD post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital charge		
1	(i) VaR component (including the 3×multiplier)		
2	(ii) Stressed VaR component (including the 3×multiplier)		
3	All portfolios subject to the Standardised CVA capital charge		
4	Total subject to the CVA capital charge		
<b>Definitions</b>			
<b>Advanced CVA capital charge:</b> the amount of the advanced capital charge calculated according to Part 4 of Annex 2 of Regulation on Measurement and Evaluation of Capital Adequacy of Banks			
<b>Standardised CVA capital charge:</b> the amount of the standardised capital charge calculated according to Part 4 of Annex 2 of Regulation on Measurement and Evaluation of Capital Adequacy of Banks.			
<b>EAD post-CRM:</b> exposure at default. This refers to the amount used for the capital requirements calculation. It is therefore the amount of the credit valuation adjustments according to Part 4 of Annex 2 (considering Part 1 section 2, subparagraph 5) of Regulation on Measurement and Evaluation of Capital Adequacy of Banks, and of the specific wrong-way adjustments having applied CRM techniques			

## ç) Template CCR3: Standardised approach – CCR exposures by regulatory portfolio and risk weights

<b>Purpose:</b> Provide a breakdown of counterparty credit risk exposures calculated according to the standardised approach: by portfolio and by risk weight
<b>Scope of application:</b> The template is mandatory for all banks using the credit risk standardised approach to compute RWA for counterparty credit risk exposures, irrespective of the CCR approach used to determine exposure at default. If a bank deems that the information requested in this template is not meaningful to users because the exposures and RWA amounts are negligible, the bank may choose not to disclose the template. The bank is, however, required to explain in a narrative commentary why it considers the information not to be meaningful to users, including a

description of the exposures in the portfolios concerned and the aggregate total of RWAs amount from such exposures.
<b>Content:</b> Credit exposure amounts.
<b>Frequency:</b> Semiannual
<b>Format:</b> Fixed.
<b>Accompanying narrative:</b> Banks shall supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes.

	a	b	c	d	e	f	g	h	i
Risk Weight	0%	10%	20%	50%	75%	100%	150%	Others	Total credit exposure*
Regulatory portfolios									
Claims from central governments and central banks									
Claims from regional and local governments									
Claims from administration and non commercial entity									
Claims from multilateral development banks									
Claims from international organizations									
Claims from banks and financial intermediaries									
Corporates									
Retail portfolios									
Claims on landed real estate									
Past due loans									
Claims which are determined as high risk by the board of BRSA									
Mortgage securities									
Securitization positions									
Claims from corporates, banks and financial intermediaries which have short term									

credit rating.									
Investments which are qualified as collective investment institutions									
Stock investment									
Other claims.									
Other assets**									

\* Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.

\*\* Other assets: the amount excludes exposures to CCPs, which are reported in CCR8..

d) Template CCR4: IRB – CCR exposures by portfolio and PD scale.

<b>Purpose:</b> Provide all relevant parameters used for the calculation of counterparty credit risk capital requirements for IRB models.
<b>Scope of application:</b> The template is mandatory for banks using an AIRB or FIRB approach to compute RWA for counterparty credit risk exposures. Banks, including all institutions subject to regulatory consolidation shall disclose information related to models. It shall be explained the percentage of RWAs covered by the models shown here for each of the bank’s regulatory portfolios.
<b>Content:</b> RWA and parameters used in RWA calculations for exposures subject to the counterparty credit risk framework (excluding CVA charges or exposures cleared through a CCP) and where the credit risk approach used to compute RWA is an IRB approach.
<b>Frequency:</b> Semiannual.
<b>Format:</b> Fixed.
<b>Accompanying narrative:</b> Banks are expected to supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes.

	PD scale	a	b	c	d	e	f	g
		EAD post-CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density
Portfolio X	0 – 0,15							
	0,15 – 0,25							
	0,25 – 0,5							
	0,5 – 0,75							
	0,75 – 2,5							
	2,5 – 10							
	10 – 100							
	100 (Default)							
	Sub-total							
	Total (sum of portfolios)							

**Definitions:**

**Portfolio X:** The risk categories determined for foundation and advanced approaches in “Communiqué on Calculation of the Risk Weighted Exposure Amount for Credit Risk Calculation of the Amount subject to Credit Risk by Internal-rating based Approaches must be reported.

**PD scale:** Exposures shall be broken down according to the PD scale used in the template. Banks must map the PD scale they use in the RWA calculations to the PD scale provided in the template;

**EAD post-CRM:** The amount relevant for the capital requirements calculation, having applied the CCR approach and CRM techniques, but gross of accounting provisions.

**Number of obligors:** corresponds to the number of individual PDs in this band. Approximation (round number) is acceptable

**Average PD:** obligor grade PD weighted by EAD

**Average LGD:** the obligor grade LGD weighted by EAD. The LGD must be net of any CRM effect

**Average maturity:** the obligor maturity weighted by EAD

**RW density:** Total risk-weighted assets to EAD post-CRM.

e) Template CCR5: Composition of collateral for CCR exposure

<b>Purpose:</b> Provide a breakdown of all types of collateral posted or received by banks to support or reduce the counterparty credit risk exposures related to derivative transactions or to SFTs, including transactions cleared through a CCP.
<b>Scope of application:</b> The template is mandatory for all banks.
<b>Content:</b> Carrying values of collateral used in derivative transactions or SFTs, whether or not the transactions are cleared through a CCP and whether or not the collateral is posted to a CCP.
<b>Frequency:</b> Semiannual
<b>Format:</b> Flexible (the columns cannot be altered but the rows are flexible).
<b>Accompanying narrative:</b> Banks are expected to supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes.

	a		b		c		d		e		f	
	Collateral used in derivative transactions						Collateral used in SFTs					
	Fair value of collateral received				Fair value of posted collateral				Fair value of collateral received		Fair value of posted collateral	
	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated				
Cash – domestic currency												
Cash – other currencies												
Domestic sovereign debt												
Other sovereign debt												
Government agency debt												
Corporate bonds												
Equity securities												
Other collateral												
Total												
Definitions												
Segregated refers to collateral which is held in a bankruptcy-remote manner according to the description included in paragraphs 200– 203 of the Capital requirements for bank exposures to central counterparties, April 2014.												
Unsegregated refers to collateral that is not held in a bankruptcy-remote manner												

f) Template CCR6: Credit derivatives exposures

<b>Purpose:</b> Illustrate the extent of a bank's exposures to credit derivative transactions broken down between derivatives bought or sold.
<b>Scope of application:</b> This template is mandatory for all banks.
<b>Content:</b> Notional derivative amounts (before any netting) and fair values.
<b>Frequency:</b> Semiannual.
<b>Format:</b> Flexible (the columns are fixed but the rows are flexible).
<b>Accompanying narrative:</b> Banks are expected to supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes.

	a		b	
	Protection bought		Protection sold	
<b>Nominal</b>				
Single-name credit default swaps				
Index credit default swaps				
Total return swaps				
Credit options				
Other credit derivatives				
<b>Total notionals</b>				
<b>Fair values</b>				
Positive fair value (asset)				
Negative fair value (liability)				

g) Template CCR7: RWA flow statements of CCR exposures under Internal Model Method (IMM)

<b>Purpose:</b> Present a flow statement explaining changes in counterparty credit risk RWA determined under the Internal Model Method for counterparty credit risk (derivatives and SFTs).
<b>Scope of application:</b> The template is mandatory for all banks using the Internal Model Method for measuring exposure at default of exposures subject to the counterparty credit risk framework, irrespective of the credit risk approach used to compute RWA from exposures at default.
<b>Content:</b> Risk-weighted assets corresponding to counterparty credit risk (credit risk shown in CR8 is excluded). Changes in RWA amounts over the reporting period for each of the key drivers should be based on a bank's reasonable estimation of the figure.
<b>Frequency:</b> Quarterly.
<b>Format:</b> Fixed. Columns and rows 1 and 9 are fixed. Banks may add additional rows between rows 7 and 8 to disclose additional elements that contribute to RWA variations.
<b>Accompanying narrative:</b> Banks are expected to supplement the template with a narrative commentary to explain any significant change over the reporting period and the key drivers of such changes.

		a
		Amounts
<b>1</b>	<b>RWA as at end of previous reporting period</b>	
2	Asset size	
3	Credit quality of counterparties	
4	Model updates (IMM only)	
5	Methodology and policy (IMM only)	
6	Acquisitions and disposals	
7	Foreign exchange movements	
8	Other	
<b>9</b>	<b>RWA as at end of current reporting period</b>	
<p>Asset size: organic changes in book size and composition (including origination of new businesses and maturing exposures) but excluding changes in book size due to acquisitions and disposal of entities.</p> <p>Credit quality of counterparties: changes in the assessed quality of the bank's counterparties as measured under the credit risk framework, whatever approach the bank uses. This row also includes potential changes due to IRB models when the bank uses an IRB approach.</p> <p>Model updates: changes due to model implementation, changes in model scope, or any changes intended to address model weaknesses. This row addresses only changes in the IMM model.</p> <p>Methodology and policy: changes due to methodological changes in calculations driven by regulatory policy changes, such as new regulations (only in the IMM model).</p> <p>Acquisitions and disposals: changes in book sizes due to acquisitions and disposal of entities.</p> <p>Foreign exchange movements: changes driven by changes in FX rates.</p> <p>Other: this category is intended to be used to capture changes that cannot be attributed to the above categories. Banks should add additional rows between rows 7 and 8 to disclose other material drivers of RWA movements over the reporting period.</p>		

ğ) Template CCR8: Exposures to central counterparties

<b>Purpose:</b> Provide a comprehensive picture of the bank's exposures to central counterparties. In particular, the template includes all types of exposures (due to operations, margins, contributions to default funds) and related capital requirements.
<b>Scope of application:</b> The template is mandatory for all banks

<b>Content:</b> Exposures at default and risk-weighted assets corresponding to exposures to central counterparties.
<b>Frequency:</b> Semiannual.
<b>Format:</b> Fixed. Banks are requested to provide a breakdown of the exposures by central counterparties (qualifying, as defined below, or not qualifying).
<b>Accompanying narrative:</b> Banks are expected to supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes.

		a	b
		EAD (post-CRM)	RWA
<b>1</b>	<b>Exposure to QCCPs (total)</b>		
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which		
3	(i) OTC Derivatives		
4	(ii) Exchange-traded Derivatives		
5	(iii) Securities financing transactions		
6	(iv) Netting sets where cross-product netting has been approved		
7	Segregated initial margin		
8	Non-segregated initial margin		
9	Pre-funded default fund contributions		
10	Unfunded default fund contributions		
<b>11</b>	<b>Exposures to non-QCCPs (total)</b>		
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which )		
13	(i) OTC Derivatives		
14	(ii) Exchange-traded Derivatives		
15	(iii) Securities financing transactions		
16	(iv) Netting sets where cross-product netting has been approved		
17	Segregated initial margin		
18	Non-segregated initial margin		
19	Pre-funded default fund contributions		
20	Unfunded default fund contributions		

#### Definitions

*Exposures to central counterparties:* This includes any trade exposures under the Paragraph 1-17 of Section 1 of Part 2 of Annex 4 of Regulation on Measurement and Evaluation of Capital Adequacy of Banks.

*EAD post-CRM:* exposure at default. The amount relevant for the capital requirements calculation, having applied CRM techniques, credit valuation adjustments and specific wrong-way adjustments according to Annex 2 of Regulation on Measurement and Evaluation of Capital Adequacy of Banks.

*A qualifying central counterparty (QCCP)* is an entity that is licensed by the Capital Market Board or by an authority abroad equivalent to CMB for clearing service so that is regarded as completely consistent with CPSS-IOSCO Principles for Financial Market Infrastructures by CMB or an authority abroad equivalent to CMB.

*Initial margin* means a clearing member's or client's funded collateral posted to the CCP to mitigate the potential future credit exposure of the CCP to the clearing member arising from the possible future change in the value of their transactions.

*Prefunded default fund contributions* are prefunded clearing member contributions towards, or underwriting of, a CCP's mutualised loss-sharing arrangements.

*Unfunded default fund contributions* are unfunded clearing member contributions towards, or underwriting of, a CCP's mutualised loss-sharing arrangements.

*Segregated* refers to collateral which is held in a bankruptcy-remote manner according to the description included in Annex 4 of Regulation on Measurement and Evaluation of Capital Adequacy of Banks.

*Unsegregated* refers to collateral that is not held in a bankruptcy-remote manner.

## PART SIX

### Securitisation

**ARTICLE 12-** (1) The scope of the securitisation section covers all securitisation exposures in Table SECA and in templates SEC1 and SEC2. Securitisation exposures are the exposures within the scope of the Communiqué on the Calculating Risk Weighted Amounts relating to Securitisation. Templates SEC3 and SEC4 includes on banking book securitisation exposures subject to capital charges according to the securitisation framework in the Communiqué on the Calculating Risk Weighted Amounts relating to Securitisation. This section excludes capital charges related to securitisation positions in the trading book that are reported in Part 7 – Market risk.

(2) In templates SEC3 and SEC4, securitisation exposures that meet the criteria for risk transfer recognition are disclosed. Conversely, all securitisation exposures, including those that do not meet the risk transfer recognition criteria, are reported in templates SEC1 and SEC2. Templates SEC1 and SEC2 may include exposures that are subject to capital requirements according to both the credit risk and market risk frameworks. There is no double-counting of capital requirements as templates SEC3 and SEC4 are limited to exposures subject to the securitisation framework.

#### a) Table SECA: Qualitative disclosure requirements related to securitisation exposures

<b>Purpose:</b> Provide qualitative information on a bank's strategy and risk management with respect to its securitisation activities.
<b>Scope of application:</b> The table is mandatory for all banks with securitisation exposures.
<b>Content:</b> Qualitative information.
<b>Frequency:</b> Annually.
<b>Format:</b> Flexible.
<b>Qualitative disclosures</b>  Banks describe their risk management objectives and policies for securitisation activities and main features of these activities according to the framework below. If a bank holds securitisation positions reflected both in the regulatory banking book and in the regulatory trading book, the bank describe each of the following points by distinguishing activities in each of the regulatory books.  (a) The bank's objectives in relation to securitisation and re-securitisation activity, including the extent to which these activities transfer credit risk of the underlying securitised exposures away from the bank to other entities, the type of risks assumed and the types of risks retained.  (b) The bank provide a list of: <ul style="list-style-type: none"><li>• Special purpose entities (SPEs) where the bank acts as sponsor (but not as an originator such as an Asset Backed Commercial Paper (ABCP) conduit), indicating whether the bank consolidates the SPEs into its scope of regulatory consolidation;</li><li>• Affiliated entities that the bank manages or advises and that invest either in the securitisation exposures that the bank has securitised or in SPEs that the bank sponsors;</li><li>• A list of entities to which the bank provides implicit support and the associated capital impact for each of them.</li></ul> (c) Summary of the bank's accounting policies for securitisation activities. Where relevant, banks should distinguish securitisation exposures from re-securitisation exposures.

(d) If applicable, the names of external credit assessment institution (ECAIs) used for securitisations and the types of securitisation exposure for which each agency is used.

(3) Quantitative disclosures related to bank's securitisation exposures are made as follows:

a) Template SEC1 (MK1): Securitisation exposures in the banking book

<b>Purpose:</b> Present a bank's securitisation exposures in its banking book.
<b>Scope of application:</b> The template is mandatory for all banks with securitisation exposures in the banking book.
<b>Content:</b> Carrying values. In this template, securitisation exposures include securitisation exposures even where criteria for recognition of risk transference are not met.
<b>Frequency:</b> Semi-annually.
<b>Format:</b> Flexible. Banks may in particular modify the breakdown and order proposed in rows if another breakdown (eg whether or not criteria for recognition of risk transference are met) would be more appropriate to reflect their activities. Originating and sponsoring activities may be presented together.
<b>Accompanying narrative:</b> Banks supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes.

		a	b	c	e	f	g	i	j	k
		Bank acts as originator			Bank acts as sponsor			Banks acts as investor		
		Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
1	Retail (total) – of which									
2	residential mortgage									
3	credit card									
4	other retail exposures									
5	re-securitisation									
6	Wholesale (total) – of which									
7	loans to corporates									
8	commercial mortgage									
9	lease and receivables									
10	other wholesale									
11	re-securitisation									

**Definitions**

(i) When the “bank acts as originator” the securitisation exposures are the retained positions, even where not eligible for the securitisation framework due to the absence of significant and effective risk transfer.

(ii) When “the bank acts as sponsor” the securitisation exposures include exposures to commercial paper conduits to which the bank provides programme-wide enhancements, liquidity and other facilities. Where the bank acts both as originator and sponsor, it must avoid double-counting. In this regard, the bank can merge the two columns of “bank acts as originator” and “bank acts as sponsor” and use “bank acts as originator/sponsor” columns.

(iii) Securitisation exposures when “the bank acts as an investor” are the investment positions purchased in third-party deals.

Synthetic transactions: if the bank has purchased protection it must report the net exposure amounts to which it is exposed under columns originator/sponsor (ie the amount that is not secured). If the bank has sold protection, the exposure amount of the credit protection must be reported in the “investor” column.

Re-securitisation: all securitisation exposures related to re-securitisation must be completed in rows “re-securitisation”, and not in the preceding rows (by type of underlying asset) which contain only securitisation exposures other than re-securitisation.

b) Template SEC2: Securitisation exposures in the trading book

<b>Purpose:</b> Present a bank's securitisation exposures in its trading book.
<b>Scope:</b> The template is mandatory for all banks with securitisation exposures in the trading book. In this template, securitisation exposures include securitisation exposures even where criteria for recognition of risk transference are not met.
<b>Content:</b> Carrying values
<b>Frequency:</b> Semi-annually.
<b>Format:</b> Flexible. Banks may in particular modify the breakdown and order proposed in rows if another breakdown (eg whether or not criteria for recognition of risk transference are met) would be more appropriate to reflect their activities. Originating and sponsoring activities may be presented together.
<b>Accompanying narrative:</b> Banks supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes.

		a	b	c	e	f	g	i	j	k
		Bank acts as originator			Bank acts as sponsor			Banks acts as investor		
		Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
1	Retail (total) – of which									
2	residential mortgage									
3	credit card									
4	other retail exposures									
5	re-securitisation									
6	Wholesale (total) – of which									
7	loans to corporates									
8	commercial mortgage									
9	lease and receivables									
10	other wholesale									
11	re-securitisation									

		a	b	c	e	f	g	i	j	k
		Bank acts as originator			Bank acts as sponsor			Banks acts as investor		

**Definitions**

(i) When the “bank acts as originator” the securitisation exposures are the retained positions, even where not eligible for the securitisation framework due to the absence of significant and effective risk transfer.

(ii) When “the bank acts as sponsor” the securitisation exposures include exposures to commercial paper conduits to which the bank provides programme-wide enhancements, liquidity and other facilities. Where the bank acts both as originator and sponsor, it must avoid double-counting. In this regard, the bank can merge the two columns of “bank acts as originator” and “bank acts as sponsor” and use “bank acts as originator/sponsor” columns.

(iii) Securitisation exposures when “the bank acts as an investor” are the investment positions purchased in third-party deals.

Synthetic transactions: if the bank has purchased protection it must report the net exposure amounts to which it is exposed under columns originator/sponsor (ie the amount that is not secured). If the bank has sold protection, the exposure amount of the credit protection must be reported in the “investor” column.

Re-securitisation: all securitisation exposures related to re-securitisation must be completed in rows “re-securitisation”, and not in the preceding rows (by type of underlying asset) which contain only securitisation exposures other than re-securitisation.

(4) Quantitative disclosures related to the calculation of capital requirements are given below.

a) Template SEC3: Securitisation exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor

<b>Purpose:</b> Present securitisation exposures in the banking book when the bank acts as originator or sponsor and the associated capital requirements.
<b>Scope:</b> The template is mandatory for all banks with securitisation exposures as sponsor or originator.
<b>Content:</b> Exposure values, risk-weighted assets and capital requirements. This template contains securitisation exposures only where the risk transference recognition criteria are met.
<b>Frequency:</b> Semi-annually.
<b>Format:</b> Fixed
<b>Accompanying narrative:</b> Banks supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes.

		a	b	c	d	e
		Exposure values (by RW bands)				
		≤ 20% RW	> 20% to 50% RW	> 50% to 100% RW	> 100% to < 1250% RW	1250% RW
<b>1</b>	<b>TOTAL EXPOSURES</b>					
<b>2</b>	<b>Traditional securitisation</b>					
3	Securitisation					
4	Retail					
5	Wholesale					
6	Re-securitisation					
7	Senior					
8	Non-senior					
<b>9</b>	<b>Synthetic securitisation</b>					
10	Securitisation					
11	Retail					
12	Wholesale					
13	Re-securitisation					
14	Senior					
15	Non-senior					
<b>Definitions</b>						

a	b	c	d	e
Exposure values (by RW bands)				
≤ 20% RW	> 20% to 50% RW	> 50% to 100% RW	> 100% to < 1250% RW	1250% RW

Columns (a) to (e) are defined in relation to regulatory risk weights.

b) Template SEC4: Securitisation exposures in the banking book and associated regulatory capital requirements – bank acting as investor

<b>Purpose:</b> Present securitisation exposures in the banking book when the bank acts as investor and the associated capital requirements.
<b>Scope:</b> The template is mandatory for all banks with securitisation exposures as an investor
<b>Content:</b> Exposure values, risk-weighted assets and capital requirements. This template contains securitisation exposures only where the risk transference recognition criteria are met.
<b>Frequency:</b> Semi-annually.
<b>Format:</b> Fixed
<b>Accompanying narrative:</b> Banks supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes.

		a	b	c	d	e
		Exposure values (by RW bands)				
		≤ 20% RW	> 20% to 50% RW	> 50% to 100% RW	> 100% to < 1250% RW	1250% RW
<b>1</b>	<b>TOTAL EXPOSURES</b>					
<b>2</b>	<b>Traditional securitisation</b>					
3	Securitisation					
4	Retail					
5	Wholesale					
6	Re-securitisation					
7	Senior					
8	Non-senior					
<b>9</b>	<b>Synthetic securitisation</b>					
10	Securitisation					
11	Retail					
12	Wholesale					
13	Re-securitisation					
14	Senior					
15	Non-senior					
<b>Definitions</b>						
Columns (a) to (e) are defined in relation to regulatory risk weights.						

## PART SEVEN

### Market Risk Disclosures

**ARTICLE 13-** (1) The market risk section includes the market risk capital requirements calculated for trading book and banking book exposures that are subject to a market risk charge. It also includes capital requirements for securitisation positions held in the trading book. However, it excludes the counterparty credit risk capital charges that apply to the same exposures, which are reported in Part 5 – Counterparty credit risk.

#### a) Table MRA: Qualitative disclosure requirements related to market risk

<b>Purpose:</b> Provide a description of the risk management objectives and policies concerning market risk.
<b>Scope of application:</b> The table is mandatory for all banks that are subject to a market risk capital requirement for their trading activities.
<b>Content:</b> Qualitative information.
<b>Frequency:</b> Annual.
<b>Format:</b> Flexible.
<p>Banks must describe their risk management objectives and policies for market risk according to the framework below. The granularity of the information should support the provision of meaningful information to users.</p> <p>a) Strategies and processes of the bank: this must include an explanation of management’s strategic objectives in undertaking trading activities, as well as the processes implemented to identify, measure, monitor and control the bank’s market risks, including policies for hedging risk and strategies/processes for monitoring the continuing effectiveness of hedges.</p> <p>b) Structure and organisation of the market risk management function: description of the market risk governance structure established to implement the strategies and processes of the bank discussed in row (a) above, and describing the relationships and the communication mechanisms between the different parties involved in market risk management.</p> <p>c) Scope and nature of risk reporting and/or measurement systems.</p>

#### b) Table MRB: Qualitative disclosures for banks using the Internal Models Approach

<b>Purpose:</b> Provide the scope, the main characteristics and the key modelling choices of the different models (VaR, stressed VaR, IRC, CRM) used for regulatory calculation of market risks.
<b>Scope of application:</b> The table is mandatory for all banks using an internal model to calculate its market risk capital requirements. To provide meaningful information to users on their use of internal models, the bank must describe the main characteristics of the models used at the group-wide level (according to the scope of regulatory consolidation) and explain to what extent they represent all the models used at the group-wide level. The commentary must include the percentage of capital requirements covered by the models described for each of the regulatory models (VaR, stressed VaR, IRC, Comprehensive Risk Measure).
<b>Content:</b> Qualitative information.
<b>Frequency:</b> Annually.
<b>Format:</b> Flexible.
<p>For VaR models and stressed VaR models, banks must provide the following information:</p> <p>a) Description of activities and risks covered by the VaR models and stressed VaR models. Where applicable, banks must also describe the main activities and risks not included in VaR/stressed VaR regulatory calculations (due to lack of historical data or model constraints) and treated under other model risk measures (such as specific treatments allowed in some jurisdictions).</p> <p>b) Specify which entities in the group (entities within the consolidation) use the models or if a single model (VaR/stressed VaR) is used for all entities with market risk exposure.</p> <p>c) General description of the models (VaR/stressed VaR).</p> <p>d) Discussion of the main differences, if any, between the model used for management purposes and the model used for regulatory purposes (10 day 99%). For VaR and stressed VaR models.</p>

e) For VaR models, banks must specify:

e) (i) Data updating frequency;

e) (ii) Length of the data period that is used to calibrate the model. Describe the weighting scheme that is used (if any);

e) (iii) How the bank determines the 10-day holding period. For example, does it scale up a one-day VaR by the square root of 10, or does it directly model the 10-day VaR.

e) (iv) Aggregation approach (method for aggregating the specific and general risk: (ie does the bank calculate the specific charge as a standalone charge by using a different method than the one used to calculate the general risk or does the bank use a single model that diversifies general and specific risk?))

e) (v) Valuation approach (full revaluation or use of approximations),

e) (vi) Describe whether, when simulating potential movements in risk factors, absolute or relative returns (or a mixed approach) are used (ie proportional change in prices or rates or absolute change in prices or rates).

f) For stressed VaR models, banks must specify:

f) (i) How the 10-day holding period is determined. For example, does the bank scale up a one-day VaR by the square root of 10, or does it directly model the 10-day VaR? If the approach is the same as for the VaR models, the bank may confirm this and refer to disclosure (e) (iii) above.

f) (ii) The stress period chosen by the bank and the rationale for this choice.

f) (iii) Valuation approach (full revaluation or use of approximations);

g) Description of stress testing applied to the modelling parameters;

h) Description of the approach used for backtesting/validating the accuracy and internal consistency of data and parameters used for the internal models and modelling processes.

Banks using internal models to measure the risk for the incremental risk capital charge must provide the following information:

a) General description of the methodology;

a) (i) Information about the overall modelling approach (notably use of spread-based models or transition matrix-based models);

a) (ii) Information on the calibration of the transition matrix;

a) (iii) Information about correlation assumptions;

b) Approach used to determine liquidity horizons;

c) Methodology used to achieve a capital assessment that is consistent with the requirements of the Communiqué on the Calculation of Market Risk by Risk Measurement Models and Evaluation of Risk Measurement Models.

d) Approach used in the validation of the models.

Banks using internal models to measure the risk for the comprehensive risk capital charge must provide the following information:

a) General description of the methodology

a) (i) Information about the overall modelling approach (notably choice of model correlation between default/migrations and spread: (i) separate but correlated stochastic processes driving migration/default and spread movement; (ii) spread changes driving migration/default; or (iii) default/migrations driving spread changes);

a) (ii) Information used to calibrate the parameters of the base correlation: LGD pricing of the tranches (constant or stochastic);

a) (iii) Information on the choice whether to age positions (profits and losses based on the simulated market movement in the model calculated based on the time to expiry of each position at the end of the one-year capital horizon or using their time to expiry at the calculation date);

- b) Approach used to determine liquidity horizons;
- c) Methodology used to achieve a capital assessment that is consistent with the required soundness standard;
- d) Approach used in the validation of the models.

### c) Template MR1: Market risk under standardised approach

<b>Purpose:</b> Display the components of the capital requirement under the standardised approach for market risk.
<b>Scope of application:</b> The template is mandatory for banks using the standardised approach for market risk. For banks using other than the standardised approach for most of their market risk exposures, exposures and RWA amounts under the standardised approach may be negligible. In such circumstances, and to provide only meaningful information to users, the bank may choose not to disclose the template for the exposures treated under the standardised approach. The bank must however explain why it considers the information not to be meaningful to users. The explanation must include a description of the exposures included in the respective portfolios and the aggregate total of RWAs from such exposures.
<b>Content:</b> Risk-weighted assets.
<b>Frequency:</b> Semiannual.
<b>Format:</b> Fixed.
<b>Accompanying narrative:</b> Banks are expected to supplement the template with a narrative commentary to explain any significant changes in the reporting period and the key drivers of such changes.

		a
		RWA
	Outright products	
1	Interest rate risk (general and specific)	
2	Equity risk (general and specific)	
3	Foreign exchange risk	
4	Commodity risk	
	Options	
5	Simplified approach	
6	Delta-plus method	
7	Scenario approach	
8	Securitisation	
9	<b>Total</b>	

*Outright products* refer to positions in products that are not optional.

*RWA:* for consistency throughout the document, RWA are disclosed instead of capital requirements, banks must derive the market risk RWA by multiplying the capital requirements by 12.5.

### ç) Template MR2: RWA flow statements of market risk exposures under an Internal Models Approach

<b>Purpose:</b> Present a flow statement explaining variations in the market RWA determined under an internal model approach.
<b>Scope of application:</b> The template is mandatory for banks using an internal model approach for their market risk exposures.
<b>Content:</b> Risk-weighted assets for market risk. Changes in RWA amounts over the reporting period for each of the key drivers should be based on a bank's reasonable estimation of the figure.
<b>Frequency:</b> Quarterly.
<b>Format:</b> Fixed format. The columns and rows 1 and 8 are fixed. Banks may add additional rows between rows 7 and 8 to disclose additional elements that contribute to RWA variations.
<b>Accompanying narrative:</b> Banks are expected to supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes.

	a	b	c	d	e	f
	VaR	Stressed VaR	IRC	CRM	Other	Total RWA

1	RWA at previous quarter end						
2	Movement in risk levels						
3	Model updates/changes						
4	Methodology and policy						
5	Acquisitions and disposals						
6	Foreign exchange movements						
7	Other						
8	RWA at end of reporting period						

**Definitions**

**Rows**

Movement in risk levels: changes due to position changes.

Model changes: Significant updates to the model to reflect recent experience (eg recalibration), as well as significant changes in model scope; if more than one model update has taken place, additional rows could be necessary.

Methodology and policy: Methodology changes to the calculations driven by regulatory policy changes.

Acquisitions and disposals: Modifications due to acquisition or disposal of business/product lines or entities.

Foreign exchange: Changes driven by foreign exchange movements.

Other: this category must be used to capture changes that cannot be attributed to any other category. Banks should add additional rows between rows 6 and 7 to disclose other material drivers of RWA movements over the reporting period.

**Columns**

RWA at end of reporting period column VaR: derived risk-weighted assets corresponding to the [capital requirements reflecting the Regulatory Value at Risk (10 day 99%), as well as additional capital charge related to VaR model on the Board's decision] x 12.5.

RWA at end of reporting period column Stressed VaR: derived risk-weighted assets corresponding to the [capital requirements reflecting the Stressed Regulatory Value at Risk (10 day 99%) as well as additional capital charge on the Board's decision] x 12.5.

RWA at end of reporting period column IRC: derived risk-weighted assets corresponding to the [capital requirements as used for computing the incremental risk charge as well as additional capital charge on the Board's decision (multiplier)] x 12.5.

RWA at end of reporting period column CRM: derived risk-weighted assets corresponding to the [capital requirements as used for computing the comprehensive risk capital charge as well as any additional capital charge on the Board's decision] x 12.5.

RWA at end of reporting period column Other: derived risk-weighted assets corresponding to specific capital charges (jurisdiction- or firm-specific) on the basis of model approaches not reported in VaR/SVaR/IRC/CRM. Additional columns can be disclosed where the jurisdictions provide more than one specific capital charge.

Total RWA at end of reporting period: derived risk-weighted assets corresponding to the [total capital requirements for market risk in the basis of internal model approaches x 12.5]; this amount must reconcile with the amounts shown in template OV1 (see Part 2).

**d) Template MR3: Internal Models Approach values for trading portfolios**

**Purpose:** Display the values (maximum, minimum, average and period ending for the reporting period) resulting from the different types of models used for computing the regulatory capital charge at the group level, before any additional capital charge is applied by the Board.

**Scope of application:** The template is mandatory for all banks using an internal model approach for their market risk exposures.

**Content:** Outputs of internal models for regulatory capital purposes at the group-wide level (according to the scope of

regulatory consolidation).
<b>Frequency:</b> Semiannual.
<b>Format:</b> Fixed.
<b>Accompanying narrative:</b> Banks are expected to supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes.

		a
<b>VaR (10 day 99%)</b>		
1	Maximum value	
2	Average value	
3	Minimum value	
4	Period end	
<b>Stressed VaR (10 day 99%)</b>		
5	Maximum value	
6	Average value	
7	Minimum value	
8	Period end	
<b>Incremental Risk Charge (99.9%)</b>		
9	Maximum value	
10	Average value	
11	Minimum value	
12	Period end	
<b>Comprehensive Risk capital charge (99.9%)</b>		
13	Maximum value	
14	Average value	
15	Minimum value	
16	Period end	
17	Floor (standardised measurement method)	
<p><i>VaR</i> refers in this template to the regulatory VaR used to compute the capital charge. The amounts reported do not include additional capital charges at supervisor’s discretion (related to the multiplier, for instance).</p> <p><i>Stressed VaR</i> refers in this template to the regulatory stressed VaR used to compute the capital charge. The amounts reported do not include additional capital on the Board’s decision (multiplier).</p> <p><i>IRC</i> refers in this template to the IRC as used for computing the capital charge. The amounts reported do not include additional capital on the Board’s decision (multiplier).</p> <p><i>Comprehensive Risk capital charge:</i> the rows 13, 14, 15 and 16 are unfloored numbers; the floor calculation is reflected for reporting period-end in row 17.</p> <p><i>Floor:</i> 8% of the capital charge for specific risk according to the standardised measurement method.</p>		

#### e) Template MR4: Comparison of VaR estimates with gains/losses

<p><b>Purpose:</b> Present a comparison of the results of estimates from the regulatory VaR model with both hypothetical and actual trading outcomes, to highlight the frequency and the extent of the backtesting exceptions, and to give an analysis of the main outliers in backtested results.</p>
<p><b>Scope of application:</b> The template is mandatory for all banks using an internal model approach for their market risk exposures.</p> <p>To provide meaningful information to users on the backtesting of their internal models, the bank must include in this template the key models used at the group-wide level (according to the scope of regulatory consolidation) and explain to what extent they represent the models used at the group-wide level. The commentary must include the percentage of capital requirements covered by the models for which backtesting results are shown here.</p>
<p><b>Content:</b> VaR model outcomes</p>
<p><b>Frequency:</b> Semiannual.</p>
<p><b>Format:</b> Flexible.</p>
<p><b>Accompanying narrative:</b> Banks must present an analysis of “outliers” in backtested results, specifying the dates and the corresponding excess (VaR-P&amp;L). The analysis should at least specify the key drivers of the exceptions.</p> <p>Banks must disclose similar comparisons for actual P&amp;L and hypothetical P&amp;L as stated in the Communiqué on the Calculation of Market Risk by Risk Measurement Models and Evaluation of Risk Measurement Models.</p>

For actual P&L: banks must provide information about actual gains/losses, and especially clarify whether they include reserves, and if not, how reserves are integrated into the backtesting process; banks must also clarify whether actual P&L includes commissions and fees or not.



Daily VaR in this template should reflect the regulatory capital requirement calibrated to a one-day holding period to compare with the 99% of confidence level with its trading outcomes.

Hypothetical gain/loss is based on hypothetical changes in portfolio values that would occur if end-of-day positions remain unchanged.

## PART EIGHT

### Operational risk disclosures

**ARTICLE 14- (1)** Following issues related to operational risk shall be disclosed at each year end.

a) The approach used to measure operational risk and the frequency of operational risk measurements,

b) In case of Basic Indicator Approach the following,

	Previous 2 year	Previous 1 year	Current year	Total/Number of positive gross income years	Beta (%)	Total
Gross Income					15	
Operational risk capital requirement (total)*12,5						

c) In case of Standardised Approach the following,

	Previous 2 year	Previous 1 year	Current year	Total/3	Beta (%)	Total
Corporate Finance					18	
Trading and Sales					18	
Retail Banking					12	
Retail Borkerage					12	
Commercial Banking					15	
Payment and Settlement					18	
Agency Services					15	
Asset Management					12	
Operational risk capital requirement (total)*12,5						

ç) In case of Alternative Standardised Approach the following,

	Previous 2 year	Previous 1 year	Current year	Total/3	Beta (%)	Total
Corporate Finance					18	
Trading and Sales					18	
Retail Banking*					3,5	
Retail Borkerage					12	
Commercial Banking*					3,5	
Payment and Settlement					18	
Agency Services					15	
Asset Management					12	
Operational risk capital requirement (total)*12,5						

\* Year end balances of cash loans and other receivables are used for each year end.

d) In case the AMA are used relevant disclosures including internal and external factors. If there is partial use the coverage needs to be disclosed.

e) In case the AMA are used disclosures about insurance policies that are used to mitigate operational risks.

## PART NINE

### Interest rate risk in the banking book disclosures

**ARTICLE 15- (1)** Following issues related to interest rate risk in the banking book (IRRBB) risk shall be disclosed at each year end.

a) Disclosures about IRRBB including assumptions about early loan repayments and non-maturity deposits and measurement frequency of IRRBB,

b) Change in economic value because of interest rate changes according to Regulation on Measurement and Assessment of Interest Rate Risk in the Banking Book by Standard Shock Method, presented for different currencies.

	Currency	Interest rate shock (+/- x basis points)*	Gains/ Losses	Gains/Own funds – Losses/Own funds
1	TRY			
2	EURO			
3	USD			
	<b>Total (Negative shocks)</b>			
	<b>Total (Positive shocks)</b>			

\* If a different shock (in terms of magnitude or direction) is applied to a currency it must be presented as a separate row.

## **PART TEN**

### **Miscellaneous and Final Provisions**

**ARTICLE 16-** Disclosures in this Communiqué shall be subject to external audit from 31/03/2016.

#### **Entry into Force**

**ARTICLE 17-** (1) This Communiqué enters into force as of 31/03/2016.

#### **Enforcement**

**ARTICLE 18-** (1) The provisions of this Communiqué are enforced by the Chairman of the Banking Regulation and Supervision Agency.