

Directive 2006/48/EC of the European Parliament and of the Council
of 14 June 2006 relating to the taking up and pursuit of the business
of credit institutions (recast) (Text with EEA relevance) (repealed)

TITLE I

SUBJECT MATTER, SCOPE AND DEFINITIONS

- Article 1 (1) This Directive lays down rules concerning the taking up...
Article 2 This Directive shall not apply to the following: the central...
Article 3 (1) One or more credit institutions situated in the same...
Article 4 For the purposes of this Directive, the following definitions shall...
Article 5 Member States shall prohibit persons or undertakings that are not...

TITLE II

REQUIREMENTS FOR ACCESS TO THE TAKING UP AND
PURSUIT OF THE BUSINESS OF CREDIT INSTITUTIONS

- Article 6 (1) Member States shall require credit institutions to obtain authorisation...
Article 7 Member States shall require applications for authorisation to be accompanied...
Article 8 Member States may not require the application for authorisation to...
Article 9 (1) Without prejudice to other general conditions laid down by...
Article 10 (1) A credit institution's own funds may not fall below...
Article 11 (1) The competent authorities shall grant an authorisation to the...
Article 12 (1) The competent authorities shall not grant authorisation for the...
Article 13 Reasons shall be given whenever a decision not to grant...
Article 14 Every authorisation shall be notified to EBA. The name of...
Article 15 (1) The competent authority shall, before granting authorisation to a...
Article 16 Host Member States may not require authorisation or endowment capital...
Article 17 (1) The competent authorities may withdraw the authorisation granted to...
Article 18 For the purposes of exercising their activities, credit institutions may...
Article 19 (1) Member States shall require any natural or legal person...
Article 19a (1) In assessing the notification provided for in Article 19(1)...
Article 19b (1) The relevant competent authorities shall work in full consultation...
Article 20 The Member States shall require any natural or legal person...

- Article 21 (1) Credit institutions shall, on becoming aware of any acquisitions...
- Article 22 (1) Home Member State competent authorities shall require that every...

TITLE III

PROVISIONS CONCERNING THE FREEDOM OF ESTABLISHMENT AND THE FREEDOM TO PROVIDE SERVICES

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- Article 23 The Member States shall provide that the activities listed in...

Section 2

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- Article 24 (1) The Member States shall provide that the activities listed...

Section 3

Exercise of the right of establishment

- Article 25 (1) A credit institution wishing to establish a branch within...
- Article 26 (1) Before the branch of a credit institution commences its...
- Article 27 Any number of places of business set up in the...

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Exercise of the freedom to provide services

- Article 28 (1) Any credit institution wishing to exercise the freedom to...

Section 5

Powers of the competent authorities of the host Member State

- Article 29 Host Member States may, for statistical purposes, require that all...
- Article 30 (1) Where the competent authorities of a host Member State...
- Article 31 Articles 29 and 30 shall not affect the power of...
- Article 32 Any measure taken pursuant to Article 30(2) and (3), or...
- Article 33 Before following the procedure provided for in Article 30, the...
- Article 34 Host Member States may exercise the powers conferred on them...
- Article 35 In the event of the withdrawal of authorisation, the competent...
- Article 36 The Member States shall inform the Commission and EBA of...
- Article 37 This Section shall not prevent credit institutions with head offices...

TITLE IV

RELATIONS WITH THIRD COUNTRIES

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Notification in relation to third countries' undertakings and conditions of access to the markets of these countries

Article 38 (1) Member States shall not apply to branches of credit...

Section 2

Cooperation with third countries' competent authorities regarding supervision on a consolidated basis

Article 39 (1) The Commission may submit proposals to the Council, either...

TITLE V

PRINCIPLES AND TECHNICAL INSTRUMENTS FOR PRUDENTIAL SUPERVISION AND DISCLOSURE

CHAPTER 1

Principles of prudential supervision

Section 1

Competence of home and host Member State

Article 40 (1) The prudential supervision of a credit institution, including that...

Article 41 Host Member States shall, pending further coordination, retain responsibility in...

Article 42 The competent authorities of the Member States concerned shall collaborate...

Article 42a (1) The competent authorities of a host Member State may...

Article 42b (1) In the exercise of their duties, the competent authorities...

Article 43 (1) Host Member States shall provide that, where a credit...

Section 2

Exchange of information and professional secrecy

Article 44 (1) Member States shall provide that all persons working for...

Article 45 Competent authorities receiving confidential information under Article 44 may use...

Article 46 In accordance with Article 33 of Regulation (EU) No 1093/2010,...

Article 47 Articles 44(1) and 45 shall not preclude the exchange of...

- Article 48 (1) Notwithstanding Articles 44 to 46, Member States may authorise...
- Article 49 This Section shall not prevent a competent authority from transmitting...
- Article 50 Notwithstanding Articles 44(1) and 45, the Member States may, by...
- Article 51 The Member States shall provide that information received under Articles...
- Article 52 This Section shall not prevent the competent authorities of a...

Section 3

Duty of persons responsible for the legal control of annual and consolidated accounts

- Article 53 (1) Member States shall provide at least that any person...

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- Article 54 Without prejudice to the procedures for the withdrawal of authorisations...
- Article 55 Member States shall ensure that decisions taken in respect of...

CHAPTER 2

Technical instruments of prudential supervision

Section 1

Own funds

- Article 56 Wherever a Member State lays down by law, regulation or...
- Article 57 Subject to the limits imposed in Article 66, the unconsolidated...
- Article 58 Where shares in another credit institution, financial institution, insurance or...
- Article 59 As an alternative to the deduction of the items referred...
- Article 60 Member States may provide that for the calculation of own...
- Article 61 The concept of own funds as defined in Article 57(a)...
- Article 62 Member States may report to the Commission on the progress...
- Article 63 (1) The concept of own funds used by a Member...
- Article 63a (1) Instruments referred to in Article 57(ca) shall comply with...
- Article 64 (1) The commitments of the members of credit institutions set...
- Article 65 (1) Where the calculation is to be made on a...
- Article 66 (1) The items referred to in Article 57(d) to (h)...
- Article 67 Compliance with the conditions laid down in this Section shall...

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Level of application

- Article 68 (1) Credit institutions shall comply with the obligations laid down...
- Article 69 (1) The Member States may choose not to apply Article...
- Article 70 (1) Subject to paragraphs 2 to 4 of this Article,...
- Article 71 (1) Without prejudice to Articles 68 to 70, parent credit...
- Article 72 (1) EU parent credit institutions shall comply with the obligations...
- Article 72a (1) Where a mixed financial holding company is subject to...
- Article 73 (1) The Member States or the competent authorities responsible for...

Subsection 2

Calculation and reporting requirements

- Article 74 (1) Save where otherwise provided, the valuation of assets and...

Subsection 3

Minimum level of own funds

- Article 75 Without prejudice to Article 136, Member States shall require credit...

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Minimum own funds requirements for credit risk

- Article 76 Credit institutions shall apply either the Standardised Approach provided for...
- Article 77 'Exposure' for the purposes of this Section means an asset...

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Standardised approach

- Article 78 (1) Subject to paragraph 2, the exposure value of an...
- Article 79 (1) Each exposure shall be assigned to one of the...
- Article 80 (1) To calculate risk-weighted exposure amounts, risk weights shall be...
- Article 81 (1) An external credit assessment may be used to determine...
- Article 82 (1) The competent authorities shall determine, taking into account the...
- Article 83 (1) The use of ECAI credit assessments for the calculation...

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Internal Ratings Based Approach

- Article 84 (1) In accordance with this Subsection, the competent authorities may...
- Article 85 (1) Without prejudice to Article 89, credit institutions and any...
- Article 86 (1) Each exposure shall be assigned to one of the...
- Article 87 (1) The risk-weighted exposure amounts for credit risk for exposures...
- Article 88 (1) The expected loss amounts for exposures belonging to one...
- Article 89 (1) Subject to the approval of the competent authorities, credit...

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Credit risk mitigation

- Article 90 For the purposes of this Subsection, ‘lending credit institution’ shall...
- Article 91 Credit institutions using the Standardised Approach under Articles 78 to...
- Article 92 (1) The technique used to provide the credit protection together...
- Article 93 (1) Where the requirements of Article 92 are met the...

Subsection 4

Securitisation

- Article 94 Where a credit institution uses the Standardised Approach set out...
- Article 95 (1) Where significant credit risk associated with securitised exposures has...
- Article 96 (1) To calculate the risk-weighted exposure amount of a securitisation...
- Article 97 (1) An ECAI credit assessment may be used to determine...
- Article 98 (1) For the purposes of applying risk weights to securitisation...
- Article 99 The use of ECAI credit assessments for the calculation of...
- Article 100 (1) Where there is a securitisation of revolving exposures subject...
- Article 101 (1) A sponsor credit institution, or an originator credit institution...

Section 4

Minimum own funds requirements for operational risk

- Article 102 (1) Competent authorities shall require credit institutions to hold own...
- Article 103 The capital requirement for operational risk under the Basic Indicator...
- Article 104 (1) Under the Standardised Approach, credit institutions shall divide their...

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Article 105 (1) Credit institutions may use Advanced Measurement Approaches based on...

Section 5

Large exposures

Article 106 (1) 'Exposures', for the purposes of this Section, shall mean...
Article 107 For the purposes of calculating the value of exposures in...
Article 108 A credit institution's exposure to a client or group of...
Article 109 The competent authorities shall require that every credit institution have...
Article 110 (1) A credit institution shall report the following information about...
Article 111 (1) A credit institution shall not incur an exposure, after...
Article 112 (1) For the purposes of Articles 113 to 117, the...
Article 113 (1)
Article 114 (1) Subject to paragraph 3 of this Article, for the...
Article 115 (1) For the purpose of this Section, a credit institution...
Article 116
Article 117 (1) Where an exposure to a client is guaranteed by...
Article 118 Where compliance by a credit institution on an individual or...
Article 119

Section 6

Qualifying holdings outside the financial sector

Article 120 (1) No credit institution may have a qualifying holding the...
Article 121 Shares held temporarily during a financial reconstruction or rescue operation...
Article 122 (1) The Member States need not apply the limits laid...

Section 7

Exposures to transferred credit risk

Article 122a (1) A credit institution, other than when acting as an...

CHAPTER 3

Credit institutions' assessment process

Article 123 Credit institutions shall have in place sound, effective and complete...

CHAPTER 4

Supervision and disclosure by competent authorities

Section 1

Supervision

- Article 124 (1) Taking into account the technical criteria set out in...
- Article 125 (1) Where a parent undertaking is a parent credit institution...
- Article 126 (1) Where credit institutions authorised in two or more Member...
- Article 127 (1) Member States shall adopt any measures necessary, where appropriate,...
- Article 128 Where Member States have more than one competent authority for...
- Article 129 (1) In addition to the obligations provided for in this...
- Article 130 (1) Where an emergency situation, including a situation as defined...
- Article 131 In order to facilitate and establish effective supervision, the competent...
- Article 131a (1) The consolidating supervisor shall establish colleges of supervisors to...
- Article 132 (1) The competent authorities shall cooperate closely with each other....
- Article 133 (1) The competent authorities responsible for supervision on a consolidated...
- Article 134 (1) Without prejudice to Article 133, the competent authorities shall...
- Article 135 The Member States shall require that persons who effectively direct...
- Article 136 (1) Competent authorities shall require any credit institution that does...
- Article 137 (1) Pending further coordination of consolidation methods, Member States shall...
- Article 138 (1) Without prejudice to Chapter 2, Section 5, Member States...
- Article 139 (1) Member States shall take the necessary steps to ensure...
- Article 140 (1) Where a credit institution, financial holding company, mixed financial...
- Article 141 Where, in applying this Directive, the competent authorities of one...
- Article 142 Without prejudice to their criminal law provisions, Member States shall...
- Article 143 (1) Where a credit institution, the parent undertaking of which...

Section 2

Disclosure by competent authorities

- Article 144 Competent authorities shall disclose the following information: the texts of...

CHAPTER 5

Disclosure by credit institutions

- Article 145 (1) For the purposes of this Directive, credit institutions shall...
- Article 146 (1) Notwithstanding Article 145, credit institutions may omit one or...
- Article 146a The Member States shall require credit institutions to disclose publicly,...
- Article 147 (1) Credit institutions shall publish the disclosures required under Article...
- Article 148 (1) Credit institutions may determine the appropriate medium, location and...
- Article 149 Notwithstanding Articles 146 to 148, Member States shall empower the...

TITLE VI

DELEGATED ACTS AND POWERS OF EXECUTION

- Article 150 (1) Without prejudice, as regards own funds, to the proposal...
- Article 151 (1) The Commission shall be assisted by the European Banking...
- Article 151a Exercise of the delegation
- Article 151b Revocation of the delegation
- Article 151c Objections to delegated acts

TITLE VII

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CHAPTER 1

Transitional provisions

- Article 152 (1) Credit institutions calculating risk-weighted exposure amounts in accordance with...
- Article 153 In the calculation of risk-weighted exposure amounts for exposures arising...
- Article 154 (1) Until 31 December 2011, the competent authorities of each...
- Article 155 Until 31 December 2012, for credit institutions the relevant indicator...

CHAPTER 2

Final provisions

- Article 156 The Commission, in cooperation with EBA and the Member States,...
- Article 156a By 31 December 2011 the Commission shall review and report...
- Article 157 (1) By 31 December 2006 Member States shall adopt and...
- Article 158 (1) Directive 2000/12/EC as amended by the Directives set out...
- Article 159 This Directive shall enter into force on the 20th day...

Article 160 This Directive is addressed to the Member States.

ANNEX I

LIST OF ACTIVITIES SUBJECT TO MUTUAL RECOGNITION

1. Acceptance of deposits and other repayable funds
2. Lending including, inter alia: consumer credit, mortgage credit, factoring, with...
3. Financial leasing
4. Payment services as defined in Article 4(3) of Directive 2007/64/EC...
5. Issuing and administering other means of payment (e.g. travellers' cheques...
6. Guarantees and commitments
7. Trading for own account or for account of customers in:...
8. Participation in securities issues and the provision of services related...
9. Advice to undertakings on capital structure, industrial strategy and related...
10. Money broking
11. Portfolio management and advice
12. Safekeeping and administration of securities
13. Credit reference services
14. Safe custody services
15. Issuing electronic money.

ANNEX II

CLASSIFICATION OF OFF-BALANCE-SHEET ITEMS

Full risk:

Guarantees having the character of credit substitutes, Credit derivatives, Acceptances,...

Medium risk:

Documentary credits issued and confirmed (see also 'Medium/low risk'), Warranties...

Medium/low risk:

Documentary credits in which underlying shipment acts as collateral and...

Low risk:

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Undrawn credit facilities (agreements to lend, purchase securities,
provide guarantees...

ANNEX III

THE TREATMENT OF COUNTERPARTY CREDIT RISK OF DERIVATIVE INSTRUMENTS, REPURCHASE TRANSACTIONS, SECURITIES ORCOMMODITIES LENDING OR BORROWING TRANSACTIONS, LONG SETTLEMENT TRANSACTIONS AND MARGIN LENDING TRANSACTIONS

PART 1

Definitions

General terms

1. 'Counterparty Credit Risk (CCR)' means the risk that the counterparty...
2. 'Central counterparty' means an entity that legally interposes itself between...

Transaction types

3. 'Long Settlement Transactions' mean transactions where a counterparty undertakes to...
4. 'Margin Lending Transactions' mean transactions in which a credit institution...

Netting sets, hedging sets, and related terms

5. 'Netting Set' means a group of transactions with a single...
6. 'Risk Position' means a risk number that is assigned to...
7. 'Hedging Set' means a group of risk positions from the...
8. 'Margin Agreement' means a contractual agreement or provisions of an...
9. 'Margin Threshold' means the largest amount of an exposure that...
10. 'Margin Period of Risk' means the time period from the...
11. 'Effective Maturity under the Internal Model Method, for a netting...
12. 'Cross-Product Netting' means the inclusion of transactions of different product...
13. For the purposes of Part 5, 'Current Market Value (CMV)' refers...

Distributions

14. 'Distribution of Market Values' means the forecast of the probability...
15. 'Distribution of Exposures' means the forecast of the probability distribution...
16. 'Risk-Neutral Distribution' means a distribution of market values or exposures...
17. 'Actual Distribution' means a distribution of market values or exposures...

Exposure measures and adjustments

18. 'Current Exposure' means the larger of zero or the market...
19. 'Peak Exposure' means a high percentile of the distribution of...
20. 'Expected Exposure (EE)' means the average of the distribution of...
21. 'Effective Expected Exposure (Effective EE) at a specific date' means...
22. 'Expected Positive Exposure (EPE)' means the weighted average over time...
23. 'Effective Expected Positive Exposure (Effective EPE)' means the weighted average...
24. 'Credit Valuation Adjustment' means an adjustment to the mid-market valuation...

25. 'One-Sided Credit Valuation Adjustment' means a credit valuation adjustment that...

CCR related risks

26. 'Rollover Risk' means the amount by which expected positive exposure...
27. 'General Wrong-Way Risk' arises when the PD of counterparties is...
28. 'Specific Wrong-Way Risk' arises when the exposure to a particular...

PART 2

Choice of the method

1. Subject to paragraphs 2 to 7, credit institutions shall determine...
2. Subject to the approval of the competent authorities, credit institutions...
3. When a credit institution purchases credit derivative protection against a...
4. The exposure value for CCR from sold credit default swaps...
5. Under all methods set out in Parts 3 to 6,...
6. An exposure value of zero for CCR can be attributed...
7. Exposures arising from long settlement transactions can be determined using...
8. For the methods set out in Parts 3 and 4...

PART 3

Mark-to-Market Method

- Step (a) by attaching current market values to contracts (mark-to-market), the current...
Step (b) to obtain a figure for potential future credit exposure, except...
Step (c) the sum of current replacement cost and potential future credit...

PART 4

Original Exposure Method

- Step (a) the notional principal amount of each instrument is multiplied by...
Step (b) the original exposure thus obtained shall be the exposure value....

PART 5

Standardised Method

1. The Standardised Method (SM) can be used only for OTC...
2. When an OTC derivative transaction with a linear risk profile...
3. Transactions with a linear risk profile with equities (including equity)...
4. Transactions with a linear risk profile with a debt instrument...
5. The size of a risk position from a transaction with...
6. For debt instruments and for payment legs, the size of...
7. The size of a risk position from a credit default...
8. The size of a risk position from an OTC derivative...
9. The size of a risk position from an OTC derivative...
10. For the determination of risk positions, collateral received from a...
11. Credit institutions may use the following formulae to determine the...
12. The risk positions are to be grouped into hedging sets....
13. For interest rate risk positions from money deposits received from...
14. For interest rate risk positions from underlying debt instruments or...
15. There is one hedging set for each issuer of a...
16. For interest rate risk positions from money deposits that are...

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17. Underlying financial instruments other than debt instruments shall be assigned...
18. The CCR multipliers (CCRM) for the different hedging set categories...
19. For transactions with a non-linear risk profile or for payment...
20. A credit institution shall have internal procedures to verify that,...
21. A credit institution that makes use of collateral to mitigate...

PART 6

Internal Model Method

1. Subject to the approval of the competent authorities, a credit...
2. Subject to the approval of the competent authorities, implementation of...
3. For all OTC derivative transactions and for long settlement transactions...
4. Credit institutions which have obtained permission to use the IMM...

Exposure value

5. The exposure value shall be measured at the level of...
6. Credit institutions may include eligible financial collateral as defined in...
7. The exposure value shall be calculated as the product of...
8. Effective EE shall be computed recursively as:
9. In this regard, Effective EPE is the average Effective EE...
10. EE or peak exposure measures shall be calculated based on...
11. Credit institutions may use a measure that is more conservative...
12. Notwithstanding point 7, competent authorities may permit credit institutions to...
13. A credit institution shall ensure that the numerator and denominator...
14. Where appropriate, volatilities and correlations of market risk factors used...
15. If the netting set is subject to a margin agreement,...
16. A credit institution's EPE model shall meet the operational requirements...

CCR control

17. The credit institution shall have a control unit that is...
18. A credit institution shall have CCR management policies, processes and...
19. A credit institution's risk management policies shall take account of...
20. A credit institution's board of directors and senior management shall...
21. The daily reports prepared on a credit institution's exposures to...
22. A credit institution's CCR management system shall be used in...
23. A credit institution's measurement of CCR shall include measuring daily...
24. A credit institution shall have a routine and rigorous program...
25. A credit institution shall have a routine in place for...
26. A credit institution shall conduct an independent review of its...

Use test

27. The distribution of exposures generated by the model used to...
28. A credit institution shall have a track record in the...
29. The model used to generate a distribution of exposures to...
30. A credit institution shall have the systems capability to estimate...
31. Exposure shall be measured, monitored and controlled over the life...

Stress testing

32. A credit institution shall have in place sound stress testing...
33. The credit institution shall stress test its CCR exposures, including...

Wrong-Way Risk

34. Credit institutions shall give due consideration to exposures that give...
35. Credit institutions shall have procedures in place to identify, monitor...

Integrity of the modelling process

36. The model shall reflect transaction terms and specifications in a...
37. The model shall employ current market data to compute current...
38. The model shall be subject to a validation process. The...
39. A credit institution shall monitor the appropriate risks and have...
40. A credit institution shall have internal procedures to verify that,...
41. A credit institution that makes use of collateral to mitigate...

Validation requirements for EPE models

42. A credit institution's EPE model shall meet the following validation...

PART 7

Contractual netting (contracts for novation and other netting agreements)

ANNEX IV

TYPES OF DERIVATIVES

1. Interest-rate contracts:
2. Foreign-exchange contracts and contracts concerning gold:
3. Contracts of a nature similar to those in points 1(a)...

ANNEX V

TECHNICAL CRITERIA CONCERNING THE ORGANISATION AND TREATMENT OF RISKS

1. GOVERNANCE
 1. Arrangements shall be defined by the management body described in...
2. TREATMENT OF RISKS
 2. The management body described in Article 11 shall approve and...
3. CREDIT AND COUNTERPARTY RISK
 3. Credit-granting shall be based on sound and well-defined criteria. The...
 4. The ongoing administration and monitoring of their various credit risk-bearing...
 5. Diversification of credit portfolios shall be adequate given the credit...
4. RESIDUAL RISK
 6. The risk that recognised credit risk mitigation techniques used by...
5. CONCENTRATION RISK
 7. The concentration risk arising from exposures to counterparties, groups of...

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6. SECURITISATION RISK
 8. The risks arising from securitisation transactions in relation to which...
 9. Liquidity plans to address the implications of both scheduled and...
7. MARKET RISK
 10. Policies and processes for the measurement and management of all...
8. INTEREST RATE RISK ARISING FROM NON-TRADING ACTIVITIES
 11. Systems shall be implemented to evaluate and manage the risk...
9. OPERATIONAL RISK
 12. Policies and processes to evaluate and manage the exposure to...
 13. Contingency and business continuity plans shall be in place to...
10. LIQUIDITY RISK
 14. Robust strategies, policies, processes and systems shall exist for the...
 - 14a. The strategies, policies, processes and systems referred to in point...
 15. Credit institutions shall develop methodologies for the identification, measurement, management...
 16. Credit institutions shall distinguish between pledged and unencumbered assets that...
 17. Credit institutions shall also have regard to existing legal, regulatory...
 18. A credit institution shall consider different liquidity risk mitigation tools,...
 19. Alternative scenarios on liquidity positions and on risk mitigants shall...
 20. Credit institutions shall consider the potential impact of institution-specific, market-wide...
 21. Credit institutions shall adjust their strategies, internal policies and limits...
 22. In order to deal with liquidity crises, credit institutions shall...
11. REMUNERATION POLICIES
 23. When establishing and applying the total remuneration policies, inclusive of...
 24. Credit institutions that are significant in terms of their size,...

ANNEX VI

STANDARDISED APPROACH

PART 1

RISK WEIGHTS

1. EXPOSURES TO CENTRAL GOVERNMENTS OR CENTRAL BANKS
 - 1.1. Treatment
 1. Without prejudice to points 2 to 7, exposures to central...
 2. Subject to point 3, exposures to central governments and central...
 3. Exposures to the European Central Bank shall be assigned a...
 - 1.2. Exposures in the national currency of the borrower
 4. Exposures to Member States' central governments and central banks denominated...
 5. When the competent authorities of a third country which apply...
 - 1.3. Use of credit assessments by Export Credit Agencies
 6. Export Credit Agency credit assessments shall be recognised by the...
 7. Exposures for which a credit assessment by an Export Credit...

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2. EXPOSURES TO REGIONAL GOVERNMENTS OR LOCAL AUTHORITIES
 8. Without prejudice to points 9, 10 and 11, exposures to...
 9. Exposures to regional governments and local authorities shall be treated...
 10. Exposures to churches and religious communities constituted in the form...
 11. When competent authorities of a third country jurisdiction which apply...
 - 11a. Without prejudice to points 9, 10 and 11, exposures to...
 3. EXPOSURES TO ADMINISTRATIVE BODIES AND NON-COMMERCIAL UNDERTAKINGS
 - 3.1. Treatment
 12. Without prejudice to points 13 to 17, exposures to administrative...
 - 3.2. Public Sector Entities
 13. Without prejudice to points 14 to 17, exposures to public...
 14. Subject to the discretion of competent authorities, exposures to public...
 15. In exceptional circumstances, exposures to public-sector entities may be treated...
 16. When the discretion to treat exposures to public-sector entities as...
 17. When competent authorities of a third country jurisdiction, which apply...
 4. EXPOSURES TO MULTILATERAL DEVELOPMENT BANKS
 - 4.1. Scope
 18. For the purposes of Articles 78 to 83, the Inter-American...
 - 4.2. Treatment
 19. Without prejudice to points 20 and 21, exposures to multilateral...
 20. Exposures to the following multilateral development banks shall be assigned...
 21. A risk weight of 20 % shall be assigned to...
 5. EXPOSURES TO INTERNATIONAL ORGANISATIONS
 22. Exposures to the following international organisations shall be assigned a...
 6. EXPOSURES TO INSTITUTIONS
 - 6.1. Treatment
 23. One of the two methods described in points 26 to...
 24. Without prejudice to the other provisions of points 23 to...
 - 6.2. Risk-weight floor on exposures to unrated institutions
 25. Exposures to an unrated institution shall not be assigned a...
 - 6.3. Central government risk weight based method
 26. Exposures to institutions shall be assigned a risk weight according...
 27. For exposures to institutions incorporated in countries where the central...
 28. For exposures to institutions with an original effective maturity of...
 - 6.4. Credit assessment based method
 29. Exposures to institutions with a residual maturity of more than...
 30. Exposures to unrated institutions shall be assigned a risk weight...
 31. Exposures to an institution of up to three months residual...
 32. Exposures to unrated institutions having an original effective maturity of...
 - 6.5. Interaction with short-term credit assessments
 33. If the method specified in points 29 to 32 is...
 34. If there is no short-term exposure assessment, the general preferential...
 35. If there is a short-term assessment and such an assessment...

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- 36. If there is a short-term assessment and such an assessment...
- 6.6. Short-term exposures in the national currency of the borrower
 - 37. Exposures to institutions of a residual maturity of 3 months...
 - 38. No exposures of a residual maturity of 3 months or...
- 6.7. Investments in regulatory capital instruments
 - 39. Investments in equity or regulatory capital instruments issued by institutions...
- 6.8. Minimum reserves required by the ECB
 - 40. Where an exposure to an institution is in the form...
- 7. EXPOSURES TO CORPORATES
 - 7.1. Treatment
 - 41. Exposures for which a credit assessment by a nominated ECAI...
 - 42. Exposures for which such a credit assessment is not available...
- 8. RETAIL EXPOSURES
 - 43. Exposures that comply with the criteria listed in Article 79(2)...
- 9. EXPOSURES SECURED BY REAL ESTATE PROPERTY
 - 44. Without prejudice to points 45 to 60, exposures fully secured...
 - 9.1. Exposures secured by mortgages on residential property
 - 45. Exposures or any part of an exposure fully and completely...
 - 46. Exposures fully and completely secured, to the satisfaction of the...
 - 47. Exposures to a tenant under a property leasing transaction concerning...
 - 48. In the exercise of their judgement for the purposes of...
 - 49. Competent authorities may dispense with the condition contained in point...
 - 50. When the discretion contained in point 49 is exercised by...
 - 9.2. Exposures secured by mortgages on commercial real estate
 - 51. Subject to the discretion of the competent authorities, exposures or...
 - 52. Subject to the discretion of the competent authorities, exposures fully...
 - 53. Subject to the discretion of the competent authorities, exposures related...
 - 54. The application of points 51 to 53 is subject to...
 - 55. The 50 % risk weight shall be assigned to the...
 - 56. A 100 % risk weigh shall be assigned to the...
 - 57. When the discretion contained in points 51 to 53 is...
 - 58. Competent authorities may dispense with the condition contained in point...
 - 59. If either of the limits referred to in point 58...
 - 60. When the discretion contained in point 58 is exercised by...
- 10. PAST DUE ITEMS
 - 61. Without prejudice to the provisions contained in points 62 to...
 - 62. For the purpose of defining the secured part of the...
 - 63. Nonetheless, where a past due item is fully secured by...
 - 64. Exposures indicated in points 45 to 50 shall be assigned...
 - 65. Exposures indicated in points 51 to 60 shall be assigned...
- 11. ITEMS BELONGING TO REGULATORY HIGH-RISK CATEGORIES
 - 66. Subject to the discretion of competent authorities, exposures associated with...
 - 67. Competent authorities may permit non past due items to be...

12. EXPOSURES IN THE FORM OF COVERED BONDS
 68. 'Covered bonds', shall mean bonds as defined in Article 22(4)...
 69. Credit institutions shall for real estate collateralising covered bonds meet...
 70. Notwithstanding points 68 and 69, covered bonds meeting the definition...
 71. Covered bonds shall be assigned a risk weight on the...
13. ITEMS REPRESENTING SECURITISATION POSITIONS
 72. Risk weight exposure amounts for securitisation positions shall be determined...
14. EXPOSURES TO INSTITUTIONS AND CORPORATES WITH A SHORT-TERM CREDIT ASSESSMENT...
 73. Exposures to institutions where points 29 to 32 apply, and...
15. EXPOSURES IN THE FORM OF COLLECTIVE INVESTMENT UNDERTAKINGS (CIUS)
 74. Without prejudice to points 75 to 81, exposures in collective...
 75. Exposures in the form of CIUs for which a credit...
 76. Where competent authorities consider that a position in a CIU...
 77. Credit institutions may determine the risk weight for a CIU...
 78. If a competent authority approves a third country CIU as...
 79. Where the credit institution is aware of the underlying exposures...
 80. Where the credit institution is not aware of the underlying...
 81. Credit institutions may rely on a third party to calculate...
16. OTHER ITEMS
 - 16.1. Treatment
 82. Tangible assets within the meaning of Article 4(10) of Directive...
 83. Prepayments and accrued income for which an institution is unable...
 84. Cash items in the process of collection shall be assigned...
 85. Member States may allow a risk weight of 10 %...
 86. Holdings of equity and other participations, except where deducted from...
 87. Gold bullion held in own vaults or on an allocated...
 88. In the case of asset sale and repurchase agreements and...
 89. Where a credit institution provides credit protection for a number...
 90. The exposure value for leases shall be the discounted minimum...

PART 2

Recognition of ECAIs and mapping of their credit assessments

1. METHODOLOGY
 - 1.1. Objectivity
 1. Competent authorities shall verify that the methodology for assigning credit...
 - 1.2. Independence
 2. Competent authorities shall verify that the methodology is free from...
 3. Independence of the ECAI's methodology shall be assessed by competent...
 - 1.3. Ongoing review
 4. Competent authorities shall verify that ECAI's credit assessments are subject...

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5. Before any recognition, competent authorities shall verify that the assessment...
6. Competent authorities shall take the necessary measures to be promptly...
- 1.4. Transparency and disclosure
 7. Competent authorities shall take the necessary measures to assure that...
2. INDIVIDUAL CREDIT ASSESSMENTS
 - 2.1. Credibility and market acceptance
 8. Competent authorities shall verify that ECAIs' individual credit assessments are...
 9. Credibility shall be assessed by competent authorities according to factors...
 - 2.2. Transparency and Disclosure
 10. Competent authorities shall verify that individual credit assessments are accessible...
 11. In particular, competent authorities shall verify that individual credit assessments...
3. 'MAPPING'
 12. In order to differentiate between the relative degrees of risk...
 13. In order to differentiate between the relative degrees of risk...
 14. Competent authorities shall compare default rates experienced for each credit...
 15. When competent authorities believe that the default rates experienced for...
 16. When competent authorities have increased the associated risk weight for...

PART 3

Use of ECAIs' credit assessments for the determination of risk weights

1. TREATMENT
 1. A credit institution may nominate one or more eligible ECAIs...
 2. A credit institution which decides to use the credit assessments...
 3. A credit institution which decides to use the credit assessments...
 4. A credit institution can only use ECAIs credit assessments that...
 5. If only one credit assessment is available from a nominated...
 6. If two credit assessments are available from nominated ECAIs and...
 7. If more than two credit assessments are available from nominated...
2. ISSUER AND ISSUE CREDIT ASSESSMENT
 8. Where a credit assessment exists for a specific issuing program...
 9. Where no directly applicable credit assessment exists for a certain...
 10. Points 8 and 9 are not to prevent the application...
 11. Credit assessments for issuers within a corporate group cannot be...
3. LONG-TERM AND SHORT-TERM CREDIT ASSESSMENTS
 12. Short-term credit assessments may only be used for short-term asset...
 13. Any short-term credit assessment shall only apply to the item...
 14. Notwithstanding point 13, if a short-term rated facility is assigned...
 15. Notwithstanding point 13, if a short-term rated facility is assigned...
4. DOMESTIC AND FOREIGN CURRENCY ITEMS
 16. A credit assessment that refers to an item denominated in...

17. Notwithstanding point 16, when an exposure arises through a credit...

ANNEX VII

INTERNAL RATINGS BASED APPROACH

PART 1

Risk weighted exposure amounts and expected loss amounts

1. CALCULATION OF RISK WEIGHTED EXPOSURE AMOUNTS FOR CREDIT RISK
 1. Unless noted otherwise, the input parameters PD, LGD, and maturity...
 2. The risk weighted exposure amount for each exposure shall be...
 - 1.1. Risk weighted exposure amounts for exposures to corporates, institutions and...
 3. Subject to points 5 to 9, the risk weighted exposure...
 4. The risk weighted exposure amount for each exposure which meets...
 5. For exposures to companies where the total annual sales for...
 6. For specialised lending exposures in respect of which a credit...
 7. For their purchased corporate receivables credit institutions shall comply with...
 8. For purchased corporate receivables, refundable purchase discounts, collateral or partial...
 9. Where an institution provides credit protection for a number of...
 - 1.2. Risk weighted exposure amounts for retail exposures
 10. Subject to points 12 and 13, the risk weighted exposure...
 11. The risk weighted exposure amount for each exposure to small...
 12. For retail exposures secured by real estate collateral a correlation...
 13. For qualifying revolving retail exposures as defined in points (a)...
 14. To be eligible for the retail treatment, purchased receivables shall...
 15. For purchased receivables, refundable purchase discounts, collateral or partial guarantees...
 16. For hybrid pools of purchased retail receivables where purchasing credit...
 - 1.3. Risk weighted exposure amounts for equity exposures
 17. A credit institution may employ different approaches to different portfolios...
 18. Notwithstanding point 17, competent authorities may allow the attribution of...
 - 1.3.1. Simple risk weight approach
 19. The risk weighted exposure amount shall be calculated according to...
 20. Short cash positions and derivative instruments held in the non-trading...
 21. Credit institutions may recognise unfunded credit protection obtained on an...
 - 1.3.2. PD/LGD approach
 22. The risk weighted exposure amounts shall be calculated according to...
 23. At the individual exposure level the sum of the expected...
 24. Credit institutions may recognise unfunded credit protection obtained on an...
 - 1.3.3. Internal models approach

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25. The risk weighted exposure amount shall be the potential loss...
26. Credit institutions may recognise unfunded credit protection obtained on an...
- 1.4. Risk weighted exposure amounts for other non credit-obligation assets
 27. The risk weighted exposure amounts shall be calculated according to...
2. CALCULATION OF RISK WEIGHTED EXPOSURE AMOUNTS FOR DILUTION RISK OF...
 28. Risk weights for dilution risk of purchased corporate and retail...
3. CALCULATION OF EXPECTED LOSS AMOUNTS
 29. Unless noted otherwise, the input parameters PD and LGD shall...
 30. The expected loss amounts for exposures to corporates, institutions, central...
 31. The EL values for specialised lending exposures where credit institutions...
 32. The expected loss amounts for equity exposures where the risk...
 33. The expected loss amounts for equity exposures where the risk...
 34. The expected loss amounts for equity exposures where the risk...
 35. The expected loss amounts for dilution risk of purchased receivables...
4. TREATMENT OF EXPECTED LOSS AMOUNTS
 36. The expected loss amounts calculated in accordance with points 30,...

PART 2

PD, LGD and Maturity

1. The input parameters PD, LGD and maturity value (M) into...
1. EXPOSURES TO CORPORATES, INSTITUTIONS AND CENTRAL GOVERNMENTS AND CENTRAL BANKS...
 - 1.1. PD
 2. The PD of an exposure to a corporate or an...
 3. For purchased corporate receivables in respect of which a credit...
 4. The PD of obligors in default shall be 100 %....
 5. Credit institutions may recognise unfunded credit protection in the PD...
 6. Credit institutions using own LGD estimates may recognise unfunded credit...
 7. For dilution risk of purchased corporate receivables, PD shall be...
 - 1.2. LGD
 8. Credit institutions shall use the following LGD values:
 9. Notwithstanding point 8, for dilution and default risk if a...
 10. Notwithstanding point 8, if a credit institution is permitted to...
 11. Notwithstanding points 8 and 10, for the purposes of Part...
 - 1.3. Maturity
 12. Subject to point 13, credit institutions shall assign to exposures...
 13. Credit institutions permitted to use own LGDs and/or own conversion...
 14. Notwithstanding point 13(a), (b), (c), (d) and (e), M shall...
 15. The competent authorities may allow for exposures to corporates situated...
 16. Maturity mismatches shall be treated as specified in Articles 90...

2. RETAIL EXPOSURES
 - 2.1. PD
 17. The PD of an exposure shall be at least 0,03...
 18. The PD of obligors or, where an obligation approach is...
 19. For dilution risk of purchased receivables PD shall be set...
 20. Unfunded credit protection may be recognised as eligible by adjusting...
 - 2.2. LGD
 21. Credit institutions shall provide own estimates of LGDs subject to...
 22. Unfunded credit protection may be recognised as eligible by adjusting...
 23. Notwithstanding point 22, for the purposes of Part 1, point...
3. EQUITY EXPOSURES SUBJECT TO PD/LGD METHOD
 - 3.1. PD
 24. PDs shall be determined according to the methods for corporate...
 - 3.2. LGD
 25. Private equity exposures in sufficiently diversified portfolios may be assigned...
 26. All other exposures shall be assigned an LGD of 90...
 - 3.3. Maturity
 27. M assigned to all exposures shall be 5 years.

PART 3

Exposure value

1. EXPOSURES TO CORPORATES, INSTITUTIONS, CENTRAL GOVERNMENTS AND CENTRAL BANKS AND...
 1. Unless noted otherwise, the exposure value of on-balance sheet exposures...
 2. Where credit institutions use Master netting agreements in relation to...
 3. For on-balance sheet netting of loans and deposits, credit institutions...
 4. The exposure value for leases shall be the discounted minimum...
 5. In the case of any item listed in Annex IV,...
 6. The exposure value for the calculation of risk weighted exposure...
 7. Where an exposure takes the form of securities or commodities...
 8. Notwithstanding point 7, the exposure value of credit risk exposures...
 9. The exposure value for the following items shall be calculated...
 10. Where a commitment refers to the extension of another commitment,...
 11. For all off-balance sheet items other than those mentioned in...
2. EQUITY EXPOSURES
 12. The exposure value shall be the value presented in the...
3. OTHER NON CREDIT-OBLIGATION ASSETS
 13. The exposure value of other non credit-obligation assets shall be...

PART 4

Minimum requirements for IRB Approach

1. RATING SYSTEMS
 1. A 'rating system' shall comprise all of the methods, processes,...
 2. If a credit institution uses multiple rating systems, the rationale...
 3. Assignment criteria and processes shall be periodically reviewed to determine...

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- 1.1. Structure of rating systems
 4. Where a credit institution uses direct estimates of risk parameters...
 - 1.1.1. Exposures to corporates, institutions and central governments and central banks...
 5. A rating system shall take into account obligor and transaction...
 6. A rating system shall have an obligor rating scale which...
 7. An 'obligor grade' shall mean a risk category within a...
 8. Credit institutions with portfolios concentrated in a particular market segment...
 9. To qualify for recognition by the competent authorities of the...
 10. A 'facility grade' shall mean a risk category within a...
 11. Significant concentrations within a single facility grade shall be supported...
 12. Credit institutions using the methods set out in Part 1,...
 - 1.1.2. Retail exposures
 13. Rating systems shall reflect both obligor and transaction risk, and...
 14. The level of risk differentiation shall ensure that the number...
 15. Credit institutions shall demonstrate that the process of assigning exposures...
 16. Credit institutions shall consider the following risk drivers when assigning...
- 1.2. Assignment to grades or pools
 17. A credit institution shall have specific definitions, processes and criteria...
 18. A credit institution shall take all relevant information into account...
- 1.3. Assignment of exposures
 - 1.3.1. Exposures to corporates, institutions and central governments and central banks...
 19. Each obligor shall be assigned to an obligor grade as...
 20. For those credit institutions permitted to use own estimates of...
 21. Credit institutions using the methods set out in Part 1,...
 22. Each separate legal entity to which the credit institution is...
 23. Separate exposures to the same obligor shall be assigned to...
 - 1.3.2. Retail exposures
 24. Each exposure shall be assigned to a grade or a...
 - 1.3.3. Overrides
 25. For grade and pool assignments credit institutions shall document the...
- 1.4. Integrity of assignment process
 - 1.4.1. Exposures to corporates, institutions and central governments and central banks...
 26. Assignments and periodic reviews of assignments shall be completed or...
 27. Credit institutions shall update assignments at least annually. High risk...
 28. A credit institution shall have an effective process to obtain...
 - 1.4.2. Retail exposures
 29. A credit institution shall at least annually update obligor and...
- 1.5. Use of models
 30. If a credit institution uses statistical models and other mechanical...

-
- 1.6. Documentation of rating systems
 - 31. The credit institutions shall document the design and operational details...
 - 32. The credit institution shall document the rationale for and analysis...
 - 33. The credit institutions shall document the specific definitions of default...
 - 34. If the credit institution employs statistical models in the rating...
 - 35. Use of a model obtained from a third-party vendor that...
 - 1.7. Data maintenance
 - 36. Credit institutions shall collect and store data on aspects of...
 - 1.7.1. Exposures to corporates, institutions and central governments and central banks...
 - 37. Credit institutions shall collect and store:
 - 38. Credit institutions using own estimates of LGDs and/or conversion factors...
 - 1.7.2. Retail exposures
 - 39. Credit institutions shall collect and store:
 - 1.8. Stress tests used in assessment of capital adequacy
 - 40. A credit institution shall have in place sound stress testing...
 - 41. A credit institution shall regularly perform a credit risk stress...
 - 42. Credit institutions using the treatment set out in Part 1,...
2. RISK QUANTIFICATION
- 43. In determining the risk parameters to be associated with rating...
 - 2.1. Definition of default
 - 44. A 'default' shall be considered to have occurred with regard...
 - 45. Elements to be taken as indications of unlikelihood to pay...
 - 46. Credit institutions that use external data that is not itself...
 - 47. If the credit institution considers that a previously defaulted exposure...
 - 48. For retail and PSE exposures, the competent authorities of each...
 - 2.2. Overall requirements for estimation
 - 49. A credit institution's own estimates of the risk parameters PD,...
 - 50. The credit institution shall be able to provide a breakdown...
 - 51. Any changes in lending practice or the process for pursuing...
 - 52. The population of exposures represented in the data used for...
 - 53. For purchased receivables the estimates shall reflect all relevant information...
 - 54. A credit institution shall add to its estimates a margin...
 - 55. If credit institutions use different estimates for the calculation of...
 - 56. If credit institutions can demonstrate to their competent authorities that...
 - 57. If a credit institution uses data that is pooled across...
 - 58. If a credit institution uses data that is pooled across...
 - 2.2.1. Requirements specific to PD estimation
 - Exposures to corporates, institutions and central governments and central banks...
 - 59. Credit institutions shall estimate PDs by obligor grade from long...
 - 60. For purchased corporate receivables credit institutions may estimate ELs by...
 - 61. If a credit institution derives long run average estimates of...

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62. Credit institutions shall use PD estimation techniques only with supporting...
 63. To the extent that a credit institution uses data on...
 64. To the extent that a credit institution associates or maps...
 65. To the extent that a credit institution uses statistical default...
 66. Irrespective of whether a credit institution is using external, internal,...
- Retail exposures
67. Credit institutions shall estimate PDs by obligor grade or pool...
 68. Notwithstanding point 67, PD estimates may also be derived from...
 69. Credit institutions shall regard internal data for assigning exposures to...
 70. If a credit institution derives long run average estimates of...
 71. Irrespective of whether a credit institution is using external, internal...
 72. Credit institutions shall identify and analyse expected changes of risk...
- 2.2.2. Requirements specific to own-LGD estimates
73. Credit institutions shall estimate LGDs by facility grade or pool...
 74. Credit institutions shall use LGD estimates that are appropriate for...
 75. A credit institution shall consider the extent of any dependence...
 76. Currency mismatches between the underlying obligation and the collateral shall...
 77. To the extent that LGD estimates take into account the...
 78. To the extent that LGD estimates take into account the...
 79. To the extent that a credit institution recognises collateral for...
 80. For the specific case of exposures already in default, the...
 81. To the extent that unpaid late fees have been capitalised...
Exposures to corporates, institutions and central governments and central banks...
 82. Estimates of LGD shall be based on data over a...
Retail exposures
 83. Notwithstanding point 73, LGD estimates may be derived from realised...
 84. Notwithstanding point 89, credit institutions may reflect future drawings either...
 85. For purchased retail receivables credit institutions may use external and...
 86. Estimates of LGD shall be based on data over a...
- 2.2.3. Requirements specific to own-conversion factor estimates
87. Credit institutions shall estimate conversion factors by facility grade or...
 88. Credit institutions shall use conversion factor estimates that are appropriate...

- 89. Credit institutions' estimates of conversion factors shall reflect the possibility...
- 90. In arriving at estimates of conversion factors credit institutions shall...
- 91. Credit institutions shall have adequate systems and procedures in place...
- 92. If credit institutions use different estimates of conversion factors for...
Exposures to corporates, institutions and central governments and central banks...
 - 93. Estimates of conversion factors shall be based on data over...
Retail exposures
 - 94. Notwithstanding point 89, credit institutions may reflect future drawings either...
 - 95. Estimates of conversion factors shall be based on data over...
- 2.2.4. Minimum requirements for assessing the effect of guarantees and credit...
 - 96. The requirements in points 97 to 104 shall not apply...
 - 97. For retail guarantees, these requirements also apply to the assignment...
Eligible guarantors and guarantees
 - 98. Credit institutions shall have clearly specified criteria for the types...
 - 99. For recognised guarantors the same rules as for obligors as...
 - 100. The guarantee shall be evidenced in writing, non-cancellable on the...
Adjustment criteria
 - 101. A credit institution shall have clearly specified criteria for adjusting...
 - 102. The criteria shall be plausible and intuitive. They shall address...
Credit derivatives
 - 103. The minimum requirements for guarantees in this part shall apply...
 - 104. The criteria shall address the payout structure of the credit...
- 2.2.5. Minimum requirements for purchased receivables
 - Legal certainty
 - 105. The structure of the facility shall ensure that under all...
 - Effectiveness of monitoring systems
 - 106. The credit institution shall monitor both the quality of the...
Effectiveness of work-out systems
 - 107. The credit institution shall have systems and procedures for detecting...
Effectiveness of systems for controlling collateral, credit availability, and cash...
 - 108. The credit institution shall have clear and effective policies and...

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Compliance with the credit institution's internal policies and procedures

109. The credit institution shall have an effective internal process for...

3. VALIDATION OF INTERNAL ESTIMATES

110. Credit institutions shall have robust systems in place to validate...

111. Credit institutions shall regularly compare realised default rates with estimated...

112. Credit institutions shall also use other quantitative validation tools and...

113. The methods and data used for quantitative validation shall be...

114. Credit institutions shall have sound internal standards for situations where...

4. CALCULATION OF RISK WEIGHTED EXPOSURE AMOUNTS FOR EQUITY EXPOSURES UNDER...

4.1. Capital requirement and risk quantification

115. For the purpose of calculating capital requirements credit institutions shall...

4.2. Risk management process and controls

116. With regard to the development and use of internal models...

4.3. Validation and documentation

117. Credit institutions shall have a robust system in place to...

118. Credit institutions shall use the internal validation process to assess...

119. The methods and data used for quantitative validation shall be...

120. Credit institutions shall regularly compare actual equity returns (computed using...

121. Credit institutions shall make use of other quantitative validation tools...

122. Credit institutions shall have sound internal standards for situations where...

123. The internal model and the modelling process shall be documented,...

5. CORPORATE GOVERNANCE AND OVERSIGHT

5.1. Corporate Governance

124. All material aspects of the rating and estimation processes shall...

125. Senior management shall provide notice to the management body described...

126. Senior management shall have a good understanding of the rating...

127. Internal ratings-based analysis of the credit institution's credit risk profile...

5.2. Credit risk control

128. The credit risk control unit shall be independent from the...

129. The areas of responsibility for the credit risk control unit(s)...

130. Notwithstanding point 129, credit institutions using pooled data according to...

5.3. Internal Audit

131. Internal audit or another comparable independent auditing unit shall review...

ANNEX VIII CREDIT RISK MITIGATION

PART 1

Eligibility

1. This part sets out eligible forms of credit risk mitigation...
2. For the purposes of this Annex:
 1. FUNDED CREDIT PROTECTION
 - 1.1. On-balance sheet netting
 3. The on-balance sheet netting of mutual claims between the credit...
 4. Without prejudice to point 5, eligibility is limited to reciprocal...
 - 1.2. Master netting agreements covering repurchase transactions and/or securities or commodities...
 5. For credit institutions adopting the Financial Collateral Comprehensive Method under...
 - 1.3. Collateral
 6. Where the credit risk mitigation technique used relies on the...
 - 1.3.1. Eligibility under all approaches and methods
 7. The following financial items may be recognised as eligible collateral...
 8. Debt securities issued by institutions which securities do not have...
 9. Units in collective investment undertakings may be recognised as eligible...
 10. In relation to points (b) to (e) of point 7,...
 - 1.3.2. Additional eligibility under the Financial Collateral Comprehensive Method
 11. In addition to the collateral set out in points 7...
 - 1.3.3. Additional eligibility for calculations under Articles 84 to 89
 12. In addition to the collateral set out above the provisions...
 - (a) Real estate collateral
 13. Residential real estate property which is or will be occupied...
 14. Credit institutions may also recognise as eligible collateral shares in...
 15. The competent authorities may also authorise their credit institutions to...
 16. The competent authorities may waive the requirement for their credit...
 17. The competent authorities of the Member States may waive the...
 18. If either of these conditions is not satisfied in a...
 19. The competent authorities of a Member State may recognise as...
 - (b) Receivables
 20. The competent authorities may recognise as eligible collateral amounts receivable...
 - (c) Other physical collateral

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21. The competent authorities may recognise as eligible collateral physical items...
 - (d) Leasing
 22. Subject to the provisions of Part 3, point 72, where...
 - 1.4. Other funded credit protection
 - 1.4.1. Cash on deposit with, or cash assimilated instruments held by,...
 23. Cash on deposit with, or cash assimilated instruments held by,...
 - 1.4.2. Life insurance policies pledged to the lending credit institution
 24. Life insurance policies pledged to the lending credit institution may...
 - 1.4.3. Institution instruments repurchased on request
 25. Instruments issued by third party institutions which will be repurchased...
2. UNFUNDED CREDIT PROTECTION
 - 2.1. Eligibility of protection providers under all approaches
 26. The following parties may be recognised as eligible providers of...
 27. Where risk-weighted exposure amounts and expected loss amounts are calculated...
 28. By way of derogation from point 26, the Member States...
 - 2.2. Eligibility of protection providers under the IRB Approach which qualify...
 29. Institutions, insurance and reinsurance undertakings and export credit agencies which...
3. TYPES OF CREDIT DERIVATIVES
 30. The following types of credit derivatives, and instruments that may...
 31. Where a credit institution buys credit protection through a total...
 - 3.1. Internal hedges
 32. When a credit institution conducts an internal hedge using a...

PART 2

Minimum Requirements

1. The credit institution must satisfy the competent authorities that it...
2. Notwithstanding the presence of credit risk mitigation taken into account...
1. FUNDED CREDIT PROTECTION
 - 1.1. On-balance sheet netting agreements (other than master netting agreements covering...
 3. For on-balance sheet netting agreements — other than master netting...
 - 1.2. Master netting agreements covering repurchase transactions and/or securities or commodities...
 4. For master netting agreements covering repurchase transactions and/or securities or...
 5. In addition, the minimum requirements for the recognition of financial...
 - 1.3. Financial collateral
 - 1.3.1. Minimum requirements for the recognition of financial collateral under all...
 6. For the recognition of financial collateral and gold, the following...

- 1.3.2. Additional minimum requirements for the recognition of financial collateral under...
 - 7. In addition to the requirements set out in point 6,...
- 1.4. Minimum requirements for the recognition of real estate collateral
 - 8. For the recognition of real estate collateral the following conditions...
- 1.5. Minimum requirements for the recognition of receivables as collateral
 - 9. For the recognition of receivables as collateral the following conditions...
- 1.6. Minimum requirements for the recognition of other physical collateral
 - 10. For the recognition of other physical collateral the following conditions...
- 1.7. Minimum requirements for treating lease exposures as collateralised
 - 11. For the exposures arising from leasing transactions to be treated...
- 1.8. Minimum requirements for the recognition of other funded credit protection...
 - 1.8.1. Cash on deposit with, or cash assimilated instruments held by,...
 - 12. To be eligible for the treatment set out at Part...
 - 1.8.2. Life insurance policies pledged to the lending credit institution.
 - 13. For life insurance policies pledged to the lending credit institution...
- 2. UNFUNDED CREDIT PROTECTION AND CREDIT LINKED NOTES
 - 2.1. Requirements common to guarantees and credit derivatives
 - 14. Subject to point 16, for the credit protection deriving from...
 - 2.1.1. Operational requirements
 - 15. The credit institution shall satisfy the competent authority that it...
 - 2.2. Sovereign and other public sector counter-guarantees
 - 16. Where an exposure is protected by a guarantee which is...
 - 17. The treatment set out in point 16 also applies to...
 - 2.3. Additional requirements for guarantees
 - 18. For a guarantee to be recognised the following conditions shall...
 - 19. In the case of guarantees provided in the context of...
 - 2.4. Additional requirements for credit derivatives
 - 20. For a credit derivative to be recognised the following conditions...
 - 21. A mismatch between the underlying obligation and the reference obligation...
 - 2.5. Requirements to qualify for the treatment set out in Annex...
 - 22. To be eligible for the treatment set out in Annex...

PART 3

Calculating the effects of credit risk mitigation

- 1. Subject to Parts 4 to 6, where the provisions in...
- 2. Cash, securities or commodities purchased, borrowed or received under a...
- 1. FUNDED CREDIT PROTECTION
 - 1.1. Credit linked notes
 - 3. Investments in credit linked notes issued by the lending credit...
 - 1.2. On-balance sheet netting
 - 4. Loans and deposits with the lending credit institution subject to...
 - 1.3. Master netting agreements covering repurchase transactions and/or securities or commodities...

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- 1.3.1. Calculation of the fully-adjusted exposure value
 - (a) Using the ‘Supervisory’ volatility adjustments or the ‘Own Estimates’ volatility...
 5. Subject to points 12 to 21, in calculating the ‘fully...’
 6. The net position in each ‘type of security’ or commodity...
 7. For the purposes of point 6, ‘type of security’ means...
 8. The net position in each currency, other than the settlement...
 9. The volatility adjustment appropriate to a given type of security...
 10. The foreign exchange risk (fx) volatility adjustment shall be applied...
 11. E* shall be calculated according to the following formula:
 - (b) Using the Internal Models approach
 12. As an alternative to using the Supervisory volatility adjustments approach...
 13. A credit institution may choose to use an internal models...
 14. The internal models approach is available to credit institutions that...
 15. Credit institutions which have not received supervisory recognition for use...
 16. Recognition shall only be given if the competent authority is...
 17. The calculation of the potential change in value shall be...
 18. The competent authorities shall require that the internal risk-measurement model...
 19. The competent authorities may allow credit institutions to use empirical...
 20. The fully adjusted exposure value (E*) for credit institutions using...
 21. In calculating risk-weighted exposure amounts using internal models, credit institutions...
- 1.3.2. Calculating risk-weighted exposure amounts and expected loss amounts for repurchase...
 22. E* as calculated under points 5 to 21 shall be...
 23. E* as calculated under points 5 to 21 shall be...
- 1.4. Financial collateral
 - 1.4.1. Financial Collateral Simple Method
 24. The Financial Collateral Simple Method shall be available only where...
 25. Under this method, recognised financial collateral is assigned a value...
 26. The risk weight that would be assigned under Articles 78...
 27. A risk weight of 0 % shall be assigned to...
 28. A risk weight of 0 % shall, to the extent...
 29. A 0 % risk weight may be assigned where the...
 - 1.4.2. Financial Collateral Comprehensive Method
 30. In valuing financial collateral for the purposes of the Financial...

31. Subject to the treatment for currency mismatches in the case...
32. In the case of OTC derivatives transactions covered by netting...
 - (a) Calculating adjusted values
 33. The volatility-adjusted value of the collateral to be taken into...
 - (b) Calculation of volatility adjustments to be applied
 34. Volatility adjustments may be calculated in two ways: the Supervisory...
 35. A credit institution may choose to use the Supervisory volatility...
 - (i) Supervisory volatility adjustments
 36. The volatility adjustments to be applied under the Supervisory volatility...

VOLATILITY ADJUSTMENTS

 - 37. For secured lending transactions the liquidation period shall be 20...
 - 38. In Tables 1 to 4 and in points 39 to...
 - 39. For non-eligible securities or for commodities lent or sold under...
 - 40. For eligible units in collective investment undertakings the volatility adjustment...
 - 41. For unrated debt securities issued by institutions and satisfying the...
 - (ii) Own estimates of volatility adjustments
 42. The competent authorities shall permit credit institutions complying with the...
 43. When debt securities have a credit assessment from a recognised...
 44. In determining relevant categories, credit institutions shall take into account...
 45. For debt securities having a credit assessment from a recognised...
 46. Credit institutions using the Own estimates approach must estimate volatility...
 47. In calculating the volatility adjustments, a 99th percentile one-tailed confidence...
 48. The liquidation period shall be 20 business days for secured...
 49. Credit institutions may use volatility adjustment numbers calculated according to...
 50. Credit institutions shall take into account the illiquidity of lower-quality...
 51. The historical observation period (sample period) for calculating volatility adjustments...
 52. Credit institutions shall update their data sets at least once...
 53. The volatility estimates shall be used in the day-to-day risk...
 54. If the liquidation period used by the credit institution in...

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- 55. The credit institution shall have established procedures for monitoring and...
 - 56. An independent review of the credit institution's system for the...
 - (iii) Scaling up of volatility adjustments
 - 57. The volatility adjustments set out in points 36 to 41...
 - (iv) Conditions for applying a 0 % volatility adjustment
 - 58. In relation to repurchase transactions and securities lending or borrowing...
 - 59. Where a competent authority permits the treatment set out in...
 - (c) Calculating risk-weighted exposure amounts and expected loss amounts
 - 60. E* as calculated under point 33 shall be taken as...
 - 61. LGD* (the effective LGD) calculated as set out in this point...
- 1.5. Other eligible collateral for Articles 84 to 89
 - 1.5.1. Valuation
 - (a) Real estate collateral
 - 62. The property shall be valued by an independent valuer at...
 - 63. 'Market value' means the estimated amount for which the property...
 - 64. 'Mortgage lending value' means the value of the property as...
 - 65. The value of the collateral shall be the market value...
 - (b) Receivables
 - 66. The value of receivables shall be the amount receivable.
 - (c) Other physical collateral
 - 67. The property shall be valued at its market value —...
 - 1.5.2. Calculating risk-weighted exposure amounts and expected loss amounts
 - (a) General treatment
 - 68. LGD* calculated as set out in points 69 to 72...
 - 69. Where the ratio of the value of the collateral (C)...
 - 70. Where the ratio of the value of the collateral to...
 - 71. Where the required level of collateralisation C** is not achieved...
 - 72. Table 5 sets out the applicable LGD* and required collateralisation...
 - (b) Alternative treatment for real estate collateral
 - 73. Subject to the requirements of this point and point 74...
 - 74. If either of the conditions in point 73 is not...
 - 75. Where the discretion provided for in point 73 is exercised...
- 1.6. Calculating risk-weighted exposure amounts and expected loss amounts in the...
 - 76. Where risk-weighted exposure amounts and expected loss amounts are calculated...
 - 77. The credit institution shall be required to subdivide the volatility-adjusted...

- 78. LGD* for each part of exposure shall be calculated separately...
- 1.7. Other funded credit protection
 - 1.7.1. Deposits with third party institutions
 - 79. Where the conditions set out in Part 2, point 12...
 - 1.7.2. Life insurance policies pledged to the lending credit institution
 - 80. Where the conditions set out in Part 2, point 13...
 - 80a. For purposes of point 80(a), the following risk weights shall...
 - 1.7.3. Institution instruments repurchased on request
 - 81. Instruments eligible under Part 1, point 25 may be treated...
 - 82. The value of the credit protection recognised shall be the...
- 2. UNFUNDED CREDIT PROTECTION
 - 2.1. Valuation
 - 83. The value of unfunded credit protection (G) shall be the...
 - 84. Where unfunded credit protection is denominated in a currency different...
 - 85. The volatility adjustments for any currency mismatch may be calculated...
 - 2.2. Calculating risk-weighted exposure amounts and expected loss amounts
 - 2.2.1. Partial protection — tranching
 - 86. Where the credit institution transfers a part of the risk...
 - 2.2.2. Standardised Approach
 - (a) Full protection
 - 87. For the purposes of Article 80, g shall be the...
 - (b) Partial protection — equal seniority
 - 88. Where the protected amount is less than the exposure value...
 - (c) Sovereign guarantees
 - 89. The competent authorities may extend the treatment provided for in...
 - 2.2.3. IRB Approach
 - 90. For the covered portion of the exposure value (E) (based...
 - 91. For any uncovered portion of the exposure value (E) the...
 - 92. G A is the value of G* as calculated under...

PART 4

Maturity Mismatches

- 1. For the purposes of calculating risk-weighted exposure amounts, a maturity...
- 2. Where there is a maturity mismatch the credit protection shall...
- 1. DEFINITION OF MATURITY
 - 3. Subject to a maximum of 5 years, the effective maturity...
 - 4. Where there is an option to terminate the protection which...
 - 5. Where a credit derivative is not prevented from terminating prior...
- 2. VALUATION OF PROTECTION
 - 2.1. Transactions subject to funded credit protection — Financial Collateral Simple...
 - 6. Where there is a mismatch between the maturity of the...
 - 2.2. Transactions subject to funded credit protection — Financial Collateral Comprehensive...

7. The maturity of the credit protection and that of the...
- 2.3. Transactions subject to unfunded credit protection
8. The maturity of the credit protection and that of the...

PART 5

Combinations of credit risk mitigation in the Standardised Approach

1. In the case where a credit institution calculating risk-weighted exposure...
2. When credit protection provided by a single protection provider has...

PART 6

Basket CRM techniques

1. FIRST-TO-DEFAULT CREDIT DERIVATIVES
 1. Where a credit institution obtains credit protection for a number...
2. N NTH-TO-DEFAULT CREDIT DERIVATIVES
 2. Where the nth default among the exposures triggers payment under...

ANNEX IX

SECURITISATION

PART 1

Definitions for the purposes of Annex IX

1. For the purposes of this Annex:

PART 2

Minimum requirements for recognition of significant credit risk transfer and calculation of risk-weighted exposure amounts and expected loss amounts for securitised exposures

1. MINIMUM REQUIREMENTS FOR RECOGNITION OF SIGNIFICANT CREDIT RISK TRANSFER IN...
 1. The originator credit institution of a traditional securitisation may exclude...
 - 1a. Unless the competent authority decides in a specific instance that...
 - 1b. For the purposes of point 1a, mezzanine securitisation positions mean...
 - 1c. As an alternative to points 1a and 1b significant credit...
 - 1d. In addition to points 1 to 1c, all the following...
2. MINIMUM REQUIREMENTS FOR RECOGNITION OF SIGNIFICANT CREDIT RISK TRANSFER IN...
 2. An originator credit institution of a synthetic securitisation may calculate...
 - 2a. Unless the competent authority decides on a case- by-case basis...
 - 2b. For the purposes of point 2a, mezzanine securitisation positions means...
 - 2c. As an alternative to points 2a and 2b, significant credit...
 - 2d. In addition, the transfer shall comply with the following conditions:...
3. ORIGINATOR CREDIT INSTITUTIONS' CALCULATION OF RISK-WEIGHTED EXPOSURE AMOUNTS FOR EXPOSURES...

3. In calculating risk-weighted exposure amounts for the securitised exposures, where...
4. For clarity, point 3 refers to the entire pool of...
- 3.1. Treatment of maturity mismatches in synthetic securitisations
 5. For the purposes of calculating risk-weighted exposure amounts in accordance...
 6. The maturity of the securitised exposures shall be taken to...
 7. An originator credit institution shall ignore any maturity mismatch in...

PART 3

External credit assessments

1. REQUIREMENTS TO BE MET BY THE CREDIT ASSESSMENTS OF ECAIS...
 1. To be used for the purposes of calculating risk-weighted exposure...
2. USE OF CREDIT ASSESSMENTS
 2. A credit institution may nominate one or more eligible ECAIs...
 3. Subject to points 5 to 7 below, a credit institution...
 4. Subject to points 5 and 6, a credit institution may...
 5. Where a position has two credit assessments by nominated ECAIs,...
 6. Where a position has more than two credit assessments by...
 7. Where credit protection eligible under Articles 90 to 93 is...
 - 7a. Competent authorities shall, furthermore, take the necessary measures to ensure...
3. MAPPING
 8. The competent authorities shall determine with which credit quality step...
 9. The competent authorities shall seek to ensure that securitisation positions...

PART 4

Calculation

1. CALCULATION OF RISK-WEIGHTED EXPOSURE AMOUNTS
 1. For the purposes of Article 96, the risk-weighted exposure amount...
 2. Subject to point 3:
 3. The exposure value of a securitisation position arising from a...
 4. Where a securitisation position is subject to funded credit protection,...
 5. Where a credit institution has two or more overlapping positions...
2. CALCULATION OF RISK-WEIGHTED EXPOSURE AMOUNTS UNDER THE STANDARDISED APPROACH
 6. Subject to point 8, the risk-weighted exposure amount of a...
 7. Subject to points 10 to 15, the risk-weighted exposure amount...
 - 2.1. Originator and sponsor credit institutions
 8. For an originator credit institution or sponsor credit institution, the...
 - 2.2. Treatment of unrated positions
 9. Credit institutions having an unrated securitisation position may apply the...
 10. A credit institution may apply the weighted-average risk weight that...
 - 2.3. Treatment of securitisation positions in a second loss tranche or...
 11. Subject to the availability of a more favourable treatment by...
 12. For the treatment set out in point 11 to be...
 - 2.4. Treatment of unrated liquidity facilities

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- 2.4.1. Eligible liquidity facilities
 - 13. When the following conditions are met, to determine its exposure...
- 2.4.2. Liquidity facilities that may be drawn only in the event...
 - 14.
- 2.4.3. Cash advance facilities
 - 15. To determine its exposure value, a conversion figure of 0...
- 2.5. Additional capital requirements for securitisations of revolving exposures with early...
 - 16. In addition to the risk-weighted exposure amounts calculated in respect...
 - 17. The credit institution shall calculate a risk-weighted exposure amount in...
 - 18. For securitisation structures where the securitised exposures comprise revolving and...
 - 19. For the purposes of point 16 to 31, 'originator's interest'...
 - 20. The exposure of the originator credit institution, associated with its...
 - 2.5.1. Exemptions from early amortisation treatment
 - 21. Originators of the following types of securitisation are exempt from...
 - 2.5.2. Maximum capital requirement
 - 22. For an originator credit institution subject to the capital requirement...
 - 23. Deduction of net gains, if any, arising from the capitalisation...
 - 2.5.3. Calculation of risk-weighted exposure amounts
 - 24. The risk-weighted exposure amount to be calculated in accordance with...
 - 25. An early amortisation provision shall be considered to be 'controlled'...
 - 26. In the case of securitisations subject to an early amortisation...
 - 27. Where the securitisation does not require excess spread to be...
 - 28. The conversion figure to be applied shall be determined by...
 - 29. In Table 3, 'Level A' means levels of excess spread...
 - 30. In the case of securitisations subject to an early amortisation...
 - 31. Where a competent authority intends to apply a treatment in...
 - 32. All other securitisations subject to a controlled early amortisation provision...
 - 33. All other securitisations subject to a non-controlled early amortisation provision...
- 2.6. Recognition of credit risk mitigation on securitisation positions
 - 34. Where credit protection is obtained on a securitisation position, the...
- 2.7. Reduction in risk-weighted exposure amounts
 - 35. As provided in Article 66(2), in respect of a securitisation...
 - 36. Where a credit institution makes use of the alternative indicated...
- 3. CALCULATION OF RISK-WEIGHTED EXPOSURE AMOUNTS UNDER THE INTERNAL RATINGS BASED...
 - 3.1. Hierarchy of methods
 - 37. For the purposes of Article 96, the risk-weighted exposure amount...
 - 38. For a rated position or a position in respect of...
 - 39. For an unrated position the Supervisory Formula Method set out...
 - 40. A credit institution other than an originator credit institution or...
 - 41. In the case of an originator or sponsor credit institution...

- 3.1.1. Use of inferred ratings
 - 42. When the following minimum operational requirements are satisfied, an institution...
- 3.1.2. The ‘Internal Assessment Approach’ for positions in ABCP programmes
 - 43. Subject to the approval of the competent authorities, when the...
 - 44. The unrated position shall be assigned by the credit institution...
- 3.2. Maximum risk-weighted exposure amounts
 - 45. For an originator credit institution, a sponsor credit institution, or...
- 3.3. Ratings Based Method
 - 46. Under the Ratings Based Method, the risk-weighted exposure amount of...
 - 47. The weightings in column C of table 4 shall be...
 - 48. A risk weight of 6 % may be applied to...
 - 49. In calculating the effective number of exposures securitised multiple exposures...
 - 50.
 - 51. Credit risk mitigation on securitisation positions may be recognised in...
- 3.4. Supervisory Formula Method
 - 52. Subject to points 58 and 59, under the Supervisory Formula...
 - 53. Subject to points 58 and 59, the risk weight to...
 - 54. Credit risk mitigation on securitisation positions may be recognised in...
- 3.5. Liquidity Facilities
 - 55. The provisions in points 56 to 59 apply for the...
 - 3.5.1. Liquidity Facilities Only Available in the Event of General Market...
 - 56.
 - 3.5.2. Cash advance facilities
 - 57. A conversion figure of 0 % may be applied to...
 - 3.5.3. Exceptional treatment where Kirb cannot be calculated.
 - 58. When it is not practical for the credit institution to...
 - 59. The highest risk weight that would be applied under Articles...
- 3.6. Recognition of credit risk mitigation in respect of securitisation positions...
 - 3.6.1. Funded credit protection
 - 60. Eligible funded protection is limited to that which is eligible...
 - 3.6.2. Unfunded credit protection
 - 61. Eligible unfunded credit protection and unfunded protection providers are limited...
 - 3.6.3. Calculation of capital requirements for securitisation positions with credit risk...
 - Ratings Based Method
 - 62. Where risk-weighted exposure amounts are calculated using the Ratings Based...
 - Supervisory Formula Method — full credit protection
 - 63. Where risk-weighted exposure amounts are calculated using the Supervisory Formula...
 - 64. In the case of funded credit protection, the risk-weighted exposure...
 - 65. In the case of unfunded credit protection, the risk-weighted exposure...

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- Supervisory formula method — partial protection
66. If the credit risk mitigation covers the ‘first loss’ or...
67. In other cases, the credit institution shall treat the securitisation...
- 3.7. Additional capital requirements for securitisations of revolving exposures with early...
68. In addition to the risk-weighted exposure amounts calculated in respect...
69. For the purposes of point 68, points 70 and 71...
70. For the purposes of these provisions, ‘originators interest’ shall be...
71. The exposure of the originator credit institution associated with its...
- 3.8. Reduction in risk-weighted exposure amounts
72. The risk-weighted exposure amount of a securitisation position to which...
73. The risk-weighted exposure amount of a securitisation position may be...
74. As provided in Article 66(2), in respect of a securitisation...
75. For the purposes of point 74:
76. Where a credit institution makes use of the alternative indicated...

ANNEX X

OPERATIONAL RISK

PART 1

Basic Indicator Approach

1. CAPITAL REQUIREMENT
1. Under the Basic Indicator Approach, the capital requirement for operational...
2. RELEVANT INDICATOR
2. The relevant indicator is the average over three years of...
3. The three-year average is calculated on the basis of the...
4. If for any given observation, the sum of net interest...
- 2.1. Credit institutions subject to Directive 86/635/EEC
5. Based on the accounting categories for the profit and loss...
6. These elements may need to be adjusted to reflect the...
- 2.1.1. Qualifications
7. The indicator shall be calculated before the deduction of any...
8. The following elements shall not be used in the calculation...
- 2.2. Credit institutions subject to a different accounting framework
9. When credit institutions are subject to an accounting framework different...

PART 2

Standardised Approach

1. CAPITAL REQUIREMENT
1. The capital requirement for operational risk shall be calculated as...
2. The three-year average is calculated on the basis of the...
3. Competent authorities may authorise a credit institution to calculate its...

2. PRINCIPLES FOR BUSINESS LINE MAPPING
 4. Credit institutions must develop and document specific policies and criteria...
3. ALTERNATIVE INDICATORS FOR CERTAIN BUSINESS LINES
 - 3.1. Modalities
 5. The competent authorities may authorise the credit institution to use...
 6. For these business lines, the relevant indicator shall be a...
 7. For the retail and/or commercial banking business lines, the loans...
 - 3.2. Conditions
 8. The authorisation to use alternative relevant indicators shall be subject...
 - 3.2.1. General condition
 9. The credit institution meets the qualifying criteria set out in...
 - 3.2.2. Conditions specific to retail banking and commercial banking
 10. The credit institution is overwhelmingly active in retail and/or commercial...
 11. The credit institution is able to demonstrate to the competent...
4. QUALIFYING CRITERIA
 12. Credit institutions must meet the qualifying criteria listed below, in...

PART 3

Advanced Measurement Approaches

1. QUALIFYING CRITERIA
 1. To be eligible for an Advanced Measurement Approach, credit institutions...
 - 1.1. Qualitative Standards
 2. The credit institution's internal operational risk measurement system shall be...
 3. The credit institution must have an independent risk management function...
 4. There must be regular reporting of operational risk exposures and...
 5. The credit institution's risk management system must be well documented....
 6. The operational risk management processes and measurement systems shall be...
 7. The validation of the operational risk measurement system by the...
 - 1.2. Quantitative Standards
 - 1.2.1. Process
 8. Credit institutions shall calculate their capital requirement as comprising both...
 9. The operational risk measurement system of a credit institution must...
 10. The risk measurement system shall capture the major drivers of...
 11. Correlations in operational risk losses across individual operational risk estimates...
 12. The risk measurement system shall be internally consistent and shall...
 - 1.2.2. Internal data
 13. Internally generated operational risk measures shall be based on a...

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14. Credit institutions shall be able to map their historical internal...
15. The credit institution's internal loss data must be comprehensive in...
16. Aside from information on gross loss amounts, credit institutions shall...
17. There shall be specific criteria for assigning loss data arising...
18. Credit institutions must have documented procedures for assessing the on-going...
- 1.2.3. External data
 19. The credit institution's operational risk measurement system shall use relevant...
- 1.2.4. Scenario analysis
 20. The credit institution shall use scenario analysis of expert opinion...
- 1.2.5. Business environment and internal control factors
 21. The credit institution's firm-wide risk assessment methodology must capture key...
 22. The choice of each factor needs to be justified as...
 23. The sensitivity of risk estimates to changes in the factors...
 24. This framework must be documented and subject to independent review...
2. IMPACT OF INSURANCE AND OTHER RISK TRANSFER MECHANISMS
 25. Credit institutions shall be able to recognise the impact of...
 26. The provider is authorised to provide insurance or re-insurance and...
 27. The insurance and the credit institutions' insurance framework shall meet...
 28. The methodology for recognising insurance shall capture the following elements...
 29. The capital alleviation from the recognition of insurances and other...
3. APPLICATION TO USE AN ADVANCED MEASUREMENT APPROACH ON A GROUP-WIDE...
 30. When an Advanced Measurement Approach is intended to be used...
 31. The application shall indicate whether and how diversification effects are...

PART 4

Combined use of different methodologies

1. USE OF AN ADVANCED MEASUREMENT APPROACH IN COMBINATION WITH OTHER...
 1. A credit institution may use an Advanced Measurement Approach in...
 2. On a case-by case basis, the competent authority may impose...
2. COMBINED USE OF THE BASIC INDICATOR APPROACH AND OF THE...
 3. A credit institution may use a combination of the Basic...
 4. The combined use of the Basic Indicator Approach and the...

PART 5

Loss event type classification

ANNEX XI

TECHNICAL CRITERIA ON REVIEW AND EVALUATION BY THE COMPETENT AUTHORITIES

1. In addition to credit, market and operational risks, the review...
- 1a. For the purposes of point 1(e), the competent authorities shall...
2. Competent authorities shall monitor whether a credit institution has provided...
3. For the purposes of the determination to be made under...

ANNEX XII

TECHNICAL CRITERIA ON TRANSPARENCY AND DISCLOSURE

PART 1

General criteria

1. Information shall be regarded as material in disclosures if its...
2. Information shall be regarded as proprietary to a credit institution...
3. Information shall be regarded as confidential if there are obligations...
4. Competent authorities shall require credit institution to assess the need...
5. The disclosure requirement in Part 2, points 3 and 4...

PART 2

General requirements

1. The risk management objectives and policies of the credit institution...
2. The following information shall be disclosed regarding the scope of...
3. The following information shall be disclosed by the credit institutions...
4. The following information shall be disclosed regarding the compliance by...
5. The following information shall be disclosed regarding the credit institution's...
6. The following information shall be disclosed regarding the credit institution's...
7. For credit institutions calculating the risk-weighted exposure amounts in accordance...
8. The credit institutions calculating the risk-weighted exposure amounts in accordance...
9. The credit institutions calculating their capital requirements in accordance with...
10. The following information shall be disclosed by each credit institution...

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11. The following information shall be disclosed by the credit institutions...
12. The following information shall be disclosed regarding the exposures in...
13. The following information shall be disclosed by credit institutions on...
14. Credit institutions calculating risk weighted exposure amounts in accordance with...
15. The following information, including regular, at least annual, updates, shall...

PART 3

Qualifying requirements for the use of particular instruments or methodologies

1. The credit institutions calculating the risk-weighted exposure amounts in accordance...
2. The credit institutions applying credit risk mitigation techniques shall disclose...
3. The credit institutions using the approach set out in Article...

ANNEX XIII

PART A

Repealed Directives Together With Their Successive
Amendments (referred To In Article 158)

PART B

deadlines for transposition (referred to in Article 158)

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- (1) [OJ C 234, 22.9.2005, p. 8.](#)
- (2) [OJ C 52, 2.3.2005, p. 37.](#)
- (3) Opinion of the European Parliament of 28 September 2005 (not yet published in the OJ) and Decision of the Council of 7 June 2006.
- (4) [OJ L 126, 26.5.2000, p. 1.](#) Directive as last amended by Directive 2006/29/EC ([OJ L 70, 9.3.2006, p. 50.](#))
- (5) [OJ L 3, 7.1.2004, p. 28.](#)
- (6) [OJ L 372, 31.12.1986, p. 1.](#) Directive as last amended by Directive 2003/51/EC of the European Parliament and of the Council ([OJ L 178, 17.7.2003, p. 16.](#))
- (7) [OJ L 193, 18.7.1983, p. 1.](#) Directive as last amended by Directive 2003/51/EC.
- (8) [OJ L 243, 11.9.2002, p. 1.](#)
- (9) See page 201 of this Official Journal
- (10) [OJ L 281, 23.11.1995, p. 31.](#) Directive as amended by Regulation (EC) No 1882/2003 ([OJ L 284, 31.10.2003, p. 1.](#))
- (11) [OJ L 184, 17.7.1999, p. 23.](#)
- (12) [OJ C 284 E, 21.11.2002, p. 115.](#)