

Basel III Regulatory Update

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Agenda

- 1. Basel III Status Update**
- 2. EU Implementation**
- 3. US Implementation**
- 4. Rest of the World**
- 5. What is next on the Regulators' Agenda?**

The Basel III Framework

Pillar 1

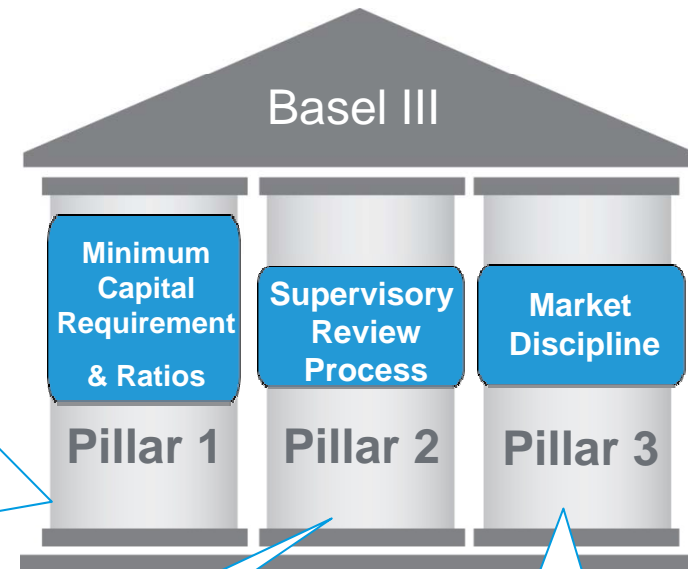
- **Credit risk & counterparty credit risk** (Standardized, F-IRB & A-IRB)
- **Market risk** (Standardized, IMA) ,
Basel 2.5: Stressed VaR, IRC, CRM
- **CVA risk** (Standardized, IMA)
- **Operational risk** (Basic, Standardized & AMA)
- **Minimum capital ratios** (CET1, T1, T1 + T2)
- **Minimum liquidity risk ratios** (LCR, NSFR)
- **Minimum leverage ratio**
- **Regulatory reporting**

Pillar 2

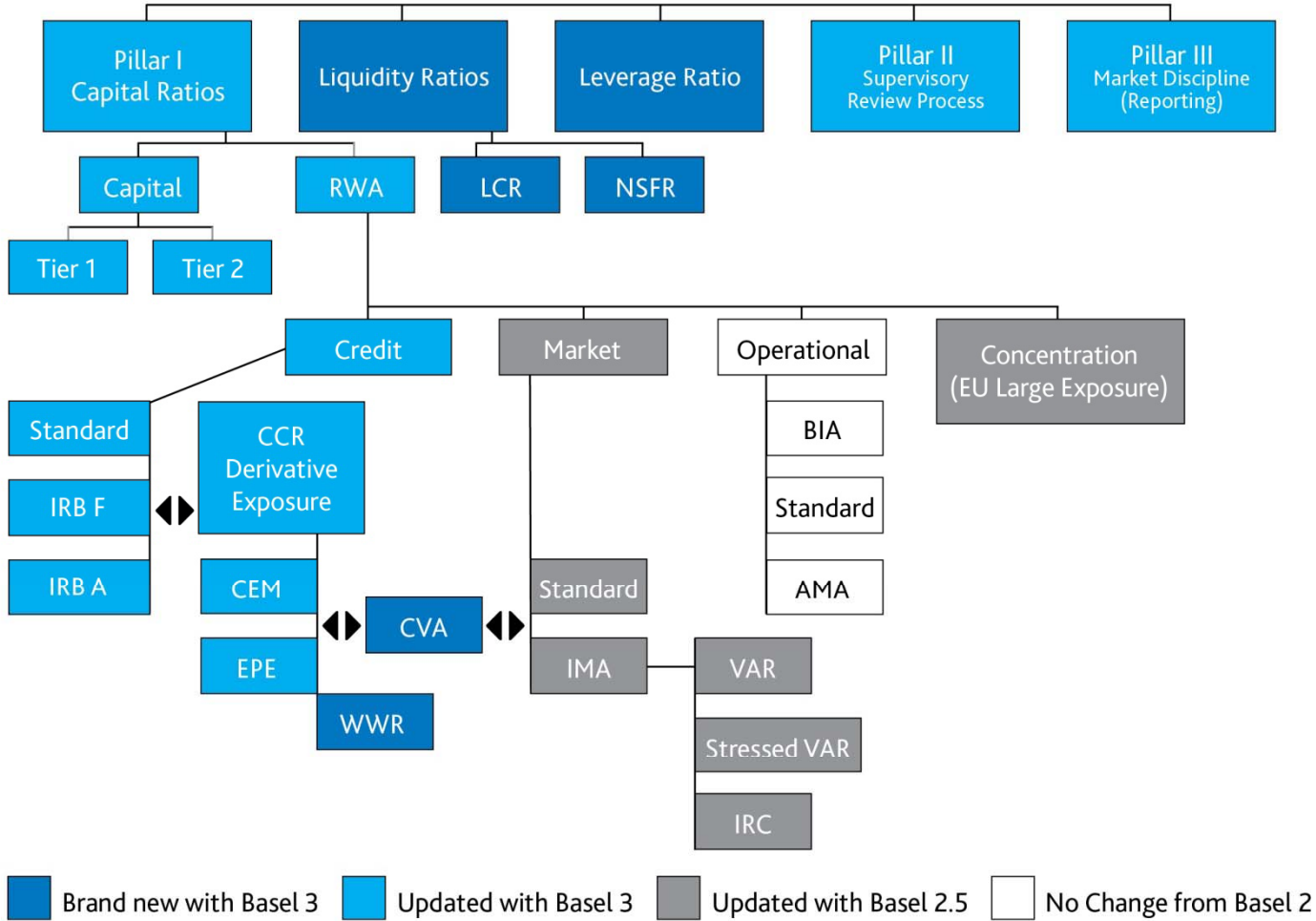
- **Economic capital**
- **Stress testing & simulations**
- **Portfolio management, limits management**
- **Large exposures/concentration risk**
- **Interest rate risk in the banking book**

Pillar 3

- **Enhanced risk disclosures**



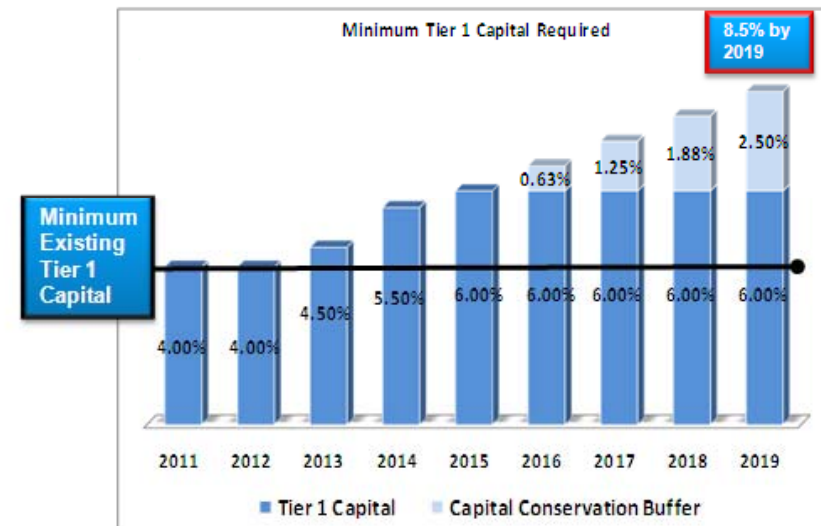
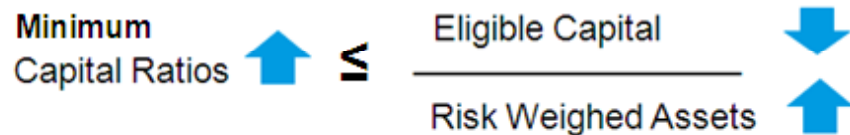
The Basel III Framework – New Developments



Basel III Squeezes Capital!

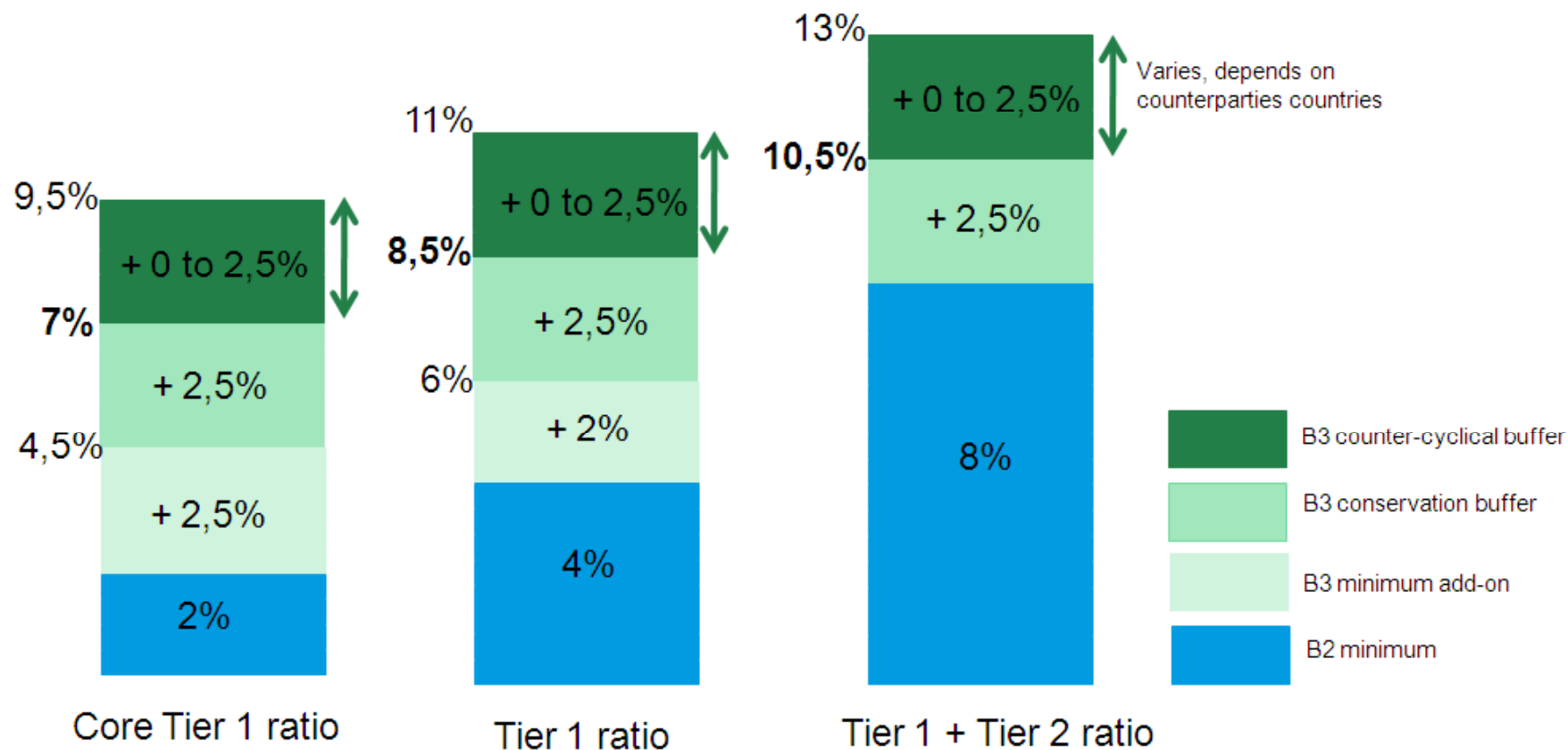
Basel III has a significant impact on capital requirements

- More strict rules on eligible capital
- Risk Weighted Assets increased for some asset classes (e.g. OTC derivatives)
- Increased capital ratios (Core Tier 1, Tier 1, Conservation buffer, Countercyclical buffer)



Basel II vs. Basel III Capital Ratios (CET1, T1, T1+T2)

Plus additional capital ratio buffer (up to 2.5% CET1) for specified G-SIB



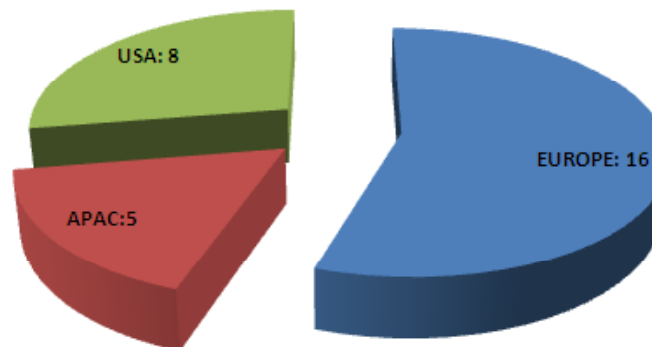
The 29 Global-Systematically Important Banks (G-SIBs)

G-SIFIs

For which the resolution-related requirements will need to be met by end-2012¹

Bank of America
 Bank of China
 Bank of New York Mellon
 Banque Populaire CdE
 Barclays
 BNP Paribas
 Citigroup
 Commerzbank
 Credit Suisse
 Deutsche Bank
 Dexia
 Goldman Sachs
 Group Crédit Agricole
 HSBC
 ING Bank
 JP Morgan Chase
 Lloyds Banking Group
 Mitsubishi UFJ FG
 Mizuho FG
 Morgan Stanley
 Nordea
 Royal Bank of Scotland
 Santander
 Société Générale
 State Street
 Sumitomo Mitsui FG
 UBS
 Unicredit Group
 Wells Fargo

- List to be updated every year by FSB
- Additional capital buffer
- In addition: list of “domestic SIFIs” to be published by local regulators

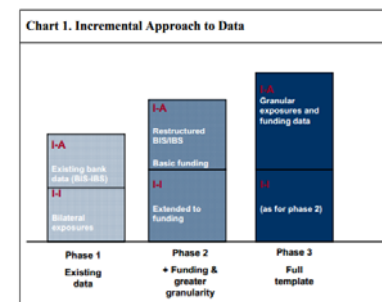


New reporting requirements to the FSB for G-SIBs:

http://www.financialstabilityboard.org/publications/r_111006.pdf

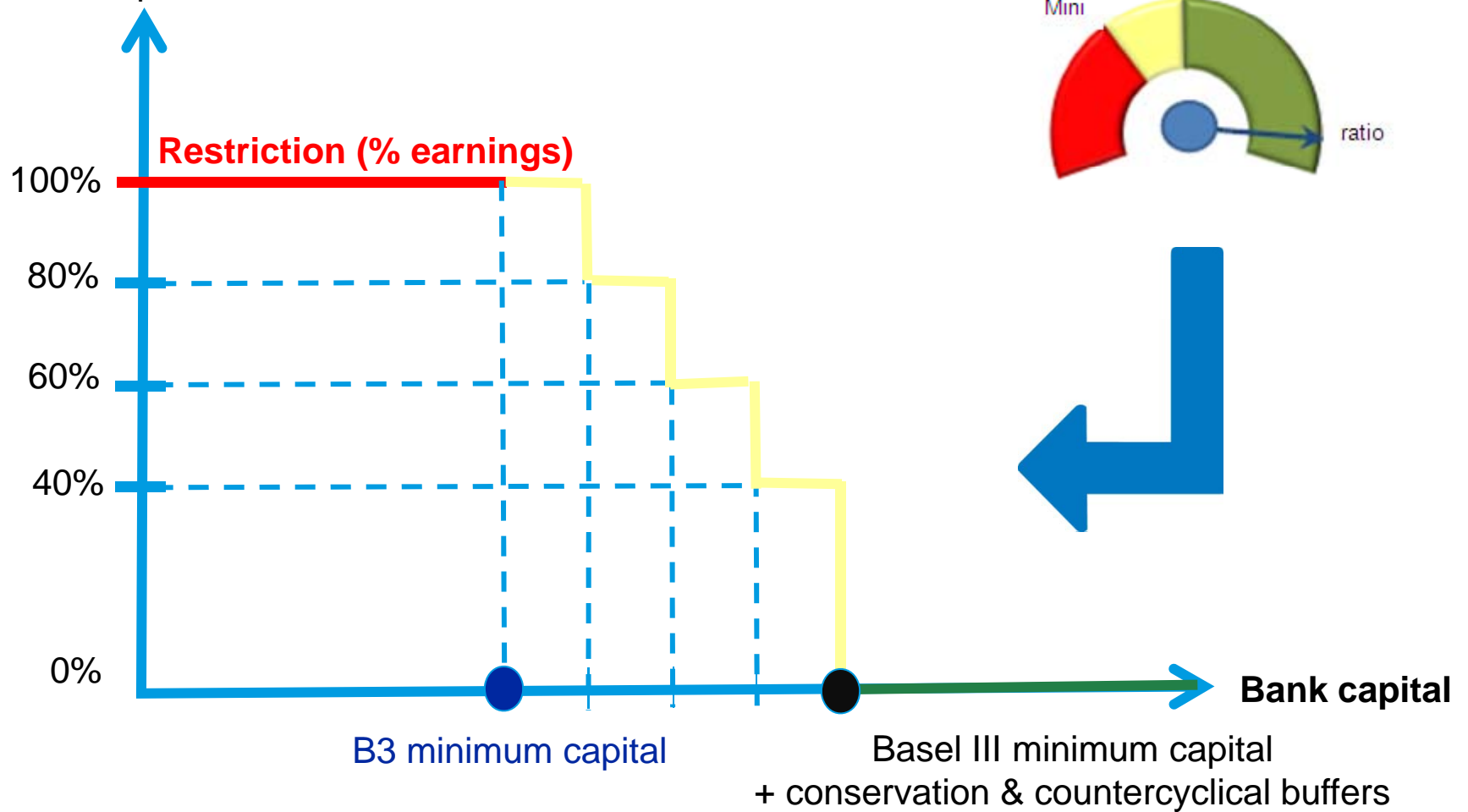
Table 1. Overview of the types of information in the proposed data template

Institution-to-institution	Institution-to-aggregate	Structural and Systemic importance	Passive and Ad-hoc data
Bilateral credit exposures & funding dependencies to assess network risks and resilience	Credit exposures & funding dependencies to countries, sectors and markets to understand risk concentrations and vulnerabilities	Information to facilitate the assessment of systemic importance, and support crisis management	Predefined data “on-request” and “ad-hoc” requests to meet increased information needs to assess emerging systemic risk



Restriction on Earnings Distribution

Restriction on dividends, compensation bonuses, equity buyback if capital ratios do not exceed minimum + buffers



Basel III New Ratios, with Progressive Roll Out

A **leverage ratio** as a non risk-based metric to avoid excessive leverage



$$\text{Leverage Ratio} = \frac{\text{Tier 1}}{\text{Balance Sheet and Other Offbalance Sheet Expos}} \geq 3\%$$

Roll out:
Tested 2013 to 2017
Binding 2018

Liquidity risk ratios: a short term ratio (LCR) with a 30 days time horizon and a more long term one (NSFR) with a 1 year time horizon relying on regulatory factors defined for stress test scenarios



$$\text{LCR} = \frac{\text{Stock of High Quality Liquid Assets}}{\text{Net Cash Outflow Over 30 Days}} \geq 100\%$$

Roll out:
Tested 2011 to 2014
Binding 2015



$$\text{Net Stable Funding Ratio} = \frac{\text{Available Stable Funding}}{\text{Required Stable Funding}} \geq 100\%$$

Roll out:
Tested 2012 to 2017
Binding 2018

Compliance Starting from 2013 – The Pressure is on!

» Capital

- 2013 – Counterparty credit risk & CVA
- 2015 – Minimum core tier 1 ratio
- 2018 – Capital deductions
- 2019 – New capital ratio buffers

» Leverage

- 2018 – Leverage ratio

» Liquidity

- 2015 – Liquidity coverage ratio (LCR)
- 2018 – Net stable funding ratio (NSFR)

Annex 4										
Phase-in arrangements										
(shading indicates transition periods - all dates are as of 1 January)										
	2011	2012	2013	2014	2015	2016	2017	2018	As of 1 January 2019	
Leverage Ratio	Supervisory monitoring			Parallel run 1 Jan 2013 – 1 Jan 2017 Disclosure starts 1 Jan 2015				Migration to Pillar 1		
Minimum Common Equity Capital Ratio			3.5%	4.0%	4.5%	4.5%	4.5%	4.5%	4.5%	
Capital Conservation Buffer						0.625%	1.25%	1.875%	2.50%	
Minimum common equity plus capital conservation buffer			3.5%	4.0%	4.5%	5.125%	5.75%	6.375%	7.0%	
Phase-in of deductions from CET1 (including amounts exceeding the limit for DTAs, MSRs and financials)				20%	40%	60%	80%	100%	100%	
Minimum Tier 1 Capital			4.5%	5.5%	6.0%	6.0%	6.0%	6.0%	6.0%	
Minimum Total Capital			8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	
Minimum Total Capital plus conservation buffer			8.0%	8.0%	8.0%	8.625%	9.25%	9.875%	10.5%	
Capital instruments that no longer qualify as non-core Tier 1 capital or Tier 2 capital			Phased out over 10 year horizon beginning 2013							
Liquidity coverage ratio	Observation period begins				Introduce minimum standard					
Net stable funding ratio	Observation period begins							Introduce minimum standard		

Progressive ramp up of minimum requirements

Basel III – Detailed Credit Risk / CCR Changes



Increased IRB RWA for inter-bank exposures

IRB new AVC factor (x by 1.25) for unregulated & large financial institutions (total assets over 100 M US\$ or over 70 M Euros)



BCBS189: par. 102



CRR/CRD IV: Art. 148 par. 2

Capital charge for CVA risk

Standard or IMA, scope is OTC derivatives and optionally SFTs (e.g. repos) (excluding trade with Qualifying CCP)



BCBS189: par. 97-104



CRR/CRD IV: Art. 371- 374

Incurred CVA can lower CCR RWA

Incurred CVA when provisioned can reduce CCR RWA and EL



BCBS189: par. 105
(Annex IV par. 9)



CRR/CRD IV: Art. 268 par. 6

Basel III – Detailed Credit Risk / CCR Changes



RWA max between EPE and Stressed EPE

Use EPE or Stressed EPE metric leading to Max RWA on the bank portfolio



BCBS189: par. 98.



CRR/CRD IV: Art. 278 par.3

RWA for trades with CCP

Via qualifying CCP: 2% for trade and 0% for bankruptcy remote posted collateral
OR 4% or RWA as for bilateral trade (if via broker and account not segregated)
Via Not Qualifying CCP: RWA as for bilateral trades



BCBS206: par .110-115



CRR/CRD IV: Art. 297

Capitalization of CCP default funds

Qualifying CCP: regulatory capital function of the CCP “hypothetical capital”
Not Qualifying CCP : 1250% RW



BCBS206: par .116-119




CRR/CRD IV: Art. 298

Basel III – Detailed Credit Risk / CCR Changes



Securitization products as collateral


Re-securitization products not eligible, new haircuts for securitization products

 BCBS189: par. 111

 CRR/CRD IV: Art.193 h, 219

No more A- rating criteria for corporate guarantees

No more A- rating criteria for corporate guarantees to avoid “cliff effect”

 BCBS189: par .195

 CRR/CRD IV: Art. 197

A- initial rating for securitization guarantor

To secure securitization exposures, guarantor rating shall be at least BBB- and must have been at least A- when providing initially the guarantee

 BCBS206: par .195

 CRR/CRD IV: Art. 242

Basel III – Detailed Credit Risk / CCR Changes



100% LGD in IRB for specific wrong way risk

100% LGD, when exposure increase when counterparty credit quality deteriorates
Collateral not eligible when issuer linked with exposures counterparty



BCBS189: par. 58



CRR/CRD IV: Art.285 par. 5

Increase margin period of risk

20 days floor if netting set includes more than 5000 trades or illiquid collateral or derivatives that can not be easily replaced



BCBS189: par. 41




CRR/CRD IV: Art. 279 par. 2

Basel III – Detailed Credit Risk / CCR Changes



250% RW for some assets


250% RW for the not deducted portion of shares in financial institution, DTAs, MSRs

 BCBS189: par. 87-89

 CRR/CRD IV: Art.128 par. 2
Art. 452

1250% RW instead of capital deduction


Unrated or badly rated securitization exposures, equities in PD/LGD, some unsettled trades, significant investment in commercial entities ...

 BCBS189: par. 90

 CRR/CRD IV: Art. 246
Art. 256

Deduction from common equity tier 1

Provision vs expected loss short fall, Gain On Sales for securitization, own shares investments, DTAs, Goodwill

 BCBS189: par. 67-89

 CRR/CRD IV: Art. 451

Basel III – Detailed Credit Risk / CCR Changes



Leverage Ratio

100% CCF for off balance except unconditionally cancelable 10% CCF
Regulatory CEM netting for OTC derivatives and SFTs, 3 months average



BCBS189: par. 151-167



CRR/CRD IV: Art. 416-417

Countercyclical Buffer

For “private” counterparty only, weight applied depend on country of residence



BCBS189: par. 136-147



CRD IV directive: Art. 126

Conservation Buffer

2.5 % additional capital buffer



BCBS189: par. 122-135



CRD IV directive: Art. 123

Agenda

1. **Basel III Status Update**
2. **EU Implementation**
3. **US Implementation**
4. **Rest of the World**
5. **What is next on the Regulators' Agenda?**

EU Basel III Implementation



- » **Capital Requirement Regulation (CRR):** Single rule-book across EU, no need for local transposition by member states (include most of the detailed Pillar 1 rules)
- » **CRD IV: the Directive** with local transposition by member state
Should include: sanctions if a bank does not meet the minimum requirements, possibly additional domestic rules for mortgages, additional capital buffers ...
- » Currently draft CRR/CRD IV version, still updated every month ...
=> final “Danish compromise” expected by July 2012, **applicable 1st January 2013**

Currently “under discussion”:

- UK wants ability to define higher capital ratios (+3%) for retail banks (Vickers rules)
- Global vs European vs domestic SIFIs buffers (may be pushed to CRD V next year)
- No more 0% RW for all EU sovereign debt exposures in Euros (e.g. Greece)
- Lower RWA for SME, infrastructure project and trade finance to stimulate investments
- Restrictions on bankers remunerations (bonus \leq fixed pay)

Common COREP Rev4 Reporting in EU in 2013



<http://eba.europa.eu/Publications/Consultation-Papers/All-consultations/CP41-CP50/CP50.aspx>

<http://www.eba.europa.eu/Publications/Consultation-Papers/All-consultations/2012/EBA-CP-2012-04.aspx>

- » EU CP50 draft on common COREP, FINREP & mortgage losses published in December 2011, EU CP04 on own funds published the 7th of June
- » Final specification should be published by August 2012 (w/ XBRL taxonomy)
- » It will be **applicable in EU on the 31st of March 2013 reporting date**

**Implementation date of Art. 95 CRR is 1 January 2013:
harmonised reporting for period Q1 2013 is due within 30
working days of 31 March 2013**

It shall apply from 31 March 2013 which is the first reporting reference date.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Single Large Exposure Reporting Stack in EU in 2013



<http://www.eba.europa.eu/Publications/Consultation-Papers/All-consultations/2012/CP51.aspx>

- » EU CP51 draft on common large exposures reports published in February 2012
- » It shall also be **applicable in all EU on 31st of March 2013 reporting date**

LE 0-1/a

	Applicable from
000	01/01/2013
001	01/01/2013
002	01/01/2013
003	01/01/2013

LE 1 TEMPLATE Large exposures in the non-trading and trading book

COUNTERPARTY IDENTIFICATION		COUNTERPARTY CHARACTERISTICS						ORIGINAL EXPOSURES										ELIGIBLE CREDIT RISK MITIGATION (CRM) TECHNIQUES										Exposure value after application of exemptions and CRM			Memorandum item: number of breaches during reporting period										
Name	Code	Group or Individual	Residence of the counterparty	Sector of the counterparty	NACE code	Total original exposure	Of which defaulted	Direct exposures					Indirect exposures					(i) Value adjustments and provisions		(ii) Exposure deducted from own funds		Exposure value before application of exemptions and CRM			(i) Substitution effect of eligible credit risk mitigation techniques					(ii) Funded credit protection other than collateralisation effect		(iii) Risk offset		(iv) Amounts exempted		Total	At-risk	% of eligible capital	Total	At-risk	% of eligible capital
010	020	030	040	050	060	070	080	090	100	110	120	130	140	150	160	170	180	190	200	210	220	230	240	250	260	270	280	290	300	310	320	330	340	350	360	370					

LE 2 TEMPLATE Detail of the exposures to individual entities within groups

COUNTERPARTY			COUNTERPARTY CHARACTERISTICS						ORIGINAL EXPOSURES										ELIGIBLE CREDIT RISK MITIGATION (CRM) TECHNIQUES										Exposure value after application of exemptions and CRM			Memorandum item: number of breaches during reporting period							
Group code	Name	Code	Type of counterparty	Residence of the counterparty	Sector of the counterparty	NACE code	Total original exposure	Of which defaulted	Direct exposures					Indirect exposures					(i) Value adjustments and provisions		(ii) Exposure deducted from own funds		Exposure value before application of exemptions and CRM			(i) Substitution effect of eligible credit risk mitigation techniques					(ii) Funded credit protection other than collateralisation effect		(iii) Risk offset		(iv) Amounts exempted		Total	At-risk	% of eligible capital
005	010	020	030	040	050	060	070	080	090	100	110	120	130	140	150	160	170	180	190	200	210	220	230	240	250	260	270	280	290	300	310	320	330	340	350	360	370		

According to the European Commission (henceforth 'EC') proposals, institutions are envisaged to be required to comply with CRR requirements as of 1.1.2013. Therefore, the first regular reporting period thereafter is expected to be Q1 2013 with the first reporting reference date being 31.3.2013.

New Reports on Leverage Ratio and Liquidity Risk Ratios



<http://eba.europa.eu/Publications/Consultation-Papers/All-consultations/2012/EBA-CP-2012-05.aspx>

<http://eba.europa.eu/Publications/Consultation-Papers/All-consultations/2012/EBA-CP-2012-06.aspx>

- » EU CP05 and CP06, includes draft templates on liquidity and leverage ratios published by EBA the 7th of June 2012 (consultation until end of August 2012)
- » **Applicable for “monitoring purpose” in Q1 2013**

Timing of ITS development and application date

Based on the EC proposals and this ITS, institutions are required to comply with new reporting requirements according to Titles II and III as of 1 January 2013. From this date onwards competent authorities will have to check institutions' compliance with the afore-mentioned regular reporting requirements and reporting instructions belonging to the reporting templates. The first regular reporting period for the liquidity reporting according to Title II is expected to be January 2013, with the first reporting reference date being end January 2013. The reporting of the stable funding according to Title III is expected to commence in the quarter of 2013 with the first reporting reference date being end-March 2013 2012.

Timing of ITS development and application date

According to the EC proposals, it is envisaged that institutions will be required to comply with CRR requirements as of 1.1.2013. Therefore, the leverage ratio reporting requirement also is expected to be effective from that same proposed implementation date of the CRR. This would mean that the first regular reporting period thereafter is expected to be Q1 2013 with the first reported leverage ratio being calculated as the simple arithmetic mean of the monthly leverage ratios over the first quarter of 2013³.

EU Specifics – Detailed Credit Risk / CCR Changes



Exposures to banks RWs (standardized)

In standardized approach use bank rating (if rated) otherwise sovereign rating



CRR/CRD IV: Art.114-116

Past due deals (standardized)

No more preferential 100% RW if fully secured by ineligible collateral
No more preferential 50% RW for secured part by Residential Real Estate



CRR/CRD IV: Art.122

High Risk 150% RW (standardized)

Hedge fund exposures and private equity exposures as high risk (150% RW)



CRR/CRD IV: Art. 123

EU Specifics – Detailed Credit Risk / CCR Changes



Mortgages (standardized)

RRE: Min (80% market value; 80% MLV) => 35%RW
CRE : Min (50% market value; 60% MLV) => 50% RW



CRR/CRD IV: Art.119-121

Mortgages LGD floors (IRB)

No more derogation for LGD floor
Weighted average LGD floor: RRE mortgages (10%), CRE mortgages (15%)



CRR/CRD IV: Art.225 par. 2
Art.160 par.4

0% RW for EFSF

European Financial Stability Facility



CRR/CRD IV: Art. 113

EU Specifics – Detailed Credit Risk / CCR Changes



**Alternative to 1250% RW:
full deduction from
common equity tier 1**

For the former Basel II deduction 50% tier 1 and 50% tier 2
E.g. unrated or badly rated securitization exposures, equities in PD/LGD,
some unsettled trades, significant investment in commercial entities ...



CRR/CRD IV: Art. 246
Art. 256

**Trades with QCCP
no 4% RW category**

2% RW only, not yet the 4% RW category



CRR/CRD IV: Art. 297

**Capitalization of CCP
default funds**

Specific capital requirement rules for contractually committed contributions



CRR/CRD IV: Art. 298

EU Specifics – Detailed Credit Risk / CCR Changes



Alternative approach for CVA risk

Counterparty Credit Risk RWA * 5 (when using OEM)



CRR/CRD IV: Art. 374 par. a

CVA scope (specific exclusions)

CVA scope is all OTC trades (or SFTs optionally) excluding the following:

- Credit derivatives trades hedging credit risk RWA
- Trades with Qualifying CCPs
- Trades with EU Central Banks, EU Sovereigns, EU PSEs, EU MDBs **if and only if using IMA for CVA risk** (not excluded if using CVA standardized)
- Intra-group trades with parent, sister or child companies
- Trades with counterparty part of an “institutional protection scheme”



CRR/CRD IV: Art.372
EMIR: Art. 1 par 4 & 4a

Other EU specificities already in CRD II/III

Examples : 5% retention floor for securitization, Significant Risk Transfer check for securitization originators, life insurance asset class ...

COREP Rev4: CR SA

Exposures / Transactions subject to counterparty credit risk						
040	Securities Financing Transactions					
050	<i>of which: subject to CVA charge</i>					
060	<i>centrally cleared through a compliant CCP</i>					
070	Derivatives & Long Settlement Transactions					
080	<i>of which: OTC-Derivatives</i>					
090	<i>Centrally cleared through compliant CCP</i>					
		<i>of which: with a credit assessment by a nominated ECAI</i>	<i>of which: with a credit assessment derived from central government</i>	20%	<i>of which: with a credit assessment by a nominated ECAI</i>	<i>of which: with a credit assessment derived from central government</i>
		260	270	280	290	300

COREP Rev4: New IRB Report on Geographical Concentration

Geographical breakdown of financial exposures subject to credit risk (IRB approach)

Country:		Dimension: Total plus Top 10 countries		
	INTERNAL RATING SYSTEM	ORIGINAL EXPOSURE PRE CONVERSION FACTORS	EXPOSURE WEIGHTED AVERAGE LGD (%)	
	PD ASSIGNED TO THE OBLIGOR GRADE OR POOL (%)	020	030	
	010			
010	EXPOSURES ASSIGNED TO OBLIGOR GRADES OR POOLS: TOTAL			
020	of which: Defaulted exposures			
030	Central banks			
040	General governments			
050	Credit institutions			
060	Other financial corporations			
070	Corporates			
080	Retail			
090	Other			
100	On balance sheet items			
110	of which: Commercial real estate			
120	of which: SME			
130	Central banks			
140	General governments			
150	Credit institutions			
160	Other financial corporations			
170	Corporates			
180	of which: SME			

COREP Rev4: CA

Split in 5 reports:

- CA 1: Eligible Own funds and deductions (many changes)
- CA 2: Own funds requirements (RWA)
- CA 3: Capital ratios
- CA 4: Memorandum items
- CA 5: transitional provisions (grandfathering rules)

+ Group Solvency

OWN FUNDS REQUIREMENTS				
Item	Label	Legal references	Amount	
010	1	TOTAL RISK EXPOSURE AMOUNT	Articles 87(3), 90, 91 and 93 of CRR	
020	1*	Of which: Investment firms under Article 90 paragraph 2 and Article 92 of CRR	For investment firms under Article 90 paragraph 2 and Article 92 of CRR	
030	1**	Of which: Investment firms under Article 94 paragraph 1 and 2 and Article 92 of CRR	For investment firms under Article 94 paragraph 1 and 2 of CRR	
040	1.1	RISK WEIGHTED EXPOSURE AMOUNTS FOR CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES	Article 87(3) points (a) and (f) of CRR	
050	1.1.1	Standardised approach (SA)	Article 107 of CRR	
060	1.1.1.1	SA exposure classes excluding securitisation positions	CR SA template at the level of total exposures. The SA exposure classes are those mentioned in Article 107 of CRR excluding securitisation positions.	
070	1.1.1.1.01	Central governments or central banks	CR SA, Claims or contingent claims	
080	1.1.1.1.02	Regional governments or local authorities	CR SA, Claims or contingent claims	
090	1.1.1.1.03	Public sector entities	CR SA, Claims or contingent claims	
100	1.1.1.1.04	Multilateral Development Banks	CR SA, Claims or contingent claims	
110	1.1.1.1.05	International Organisations	CR SA, Claims or contingent claims	
120	1.1.1.1.06	Institutions	CR SA, Claims or contingent claims	
130	1.1.1.1.07	Corporates	CR SA, Claims or contingent claims	
140	1.1.1.1.08	Retail	CR SA, Claims or contingent claims	
150	1.1.1.1.09	Secured by mortgages on immovable property	CR SA, Claims or contingent claims	
160	1.1.1.1.10	Exposures in default	CR SA	
170	1.1.1.1.11	Covered bonds	CR SA, Claims	
180	1.1.1.1.12	Claims on institutions and corporates with a short-term credit assessment	CR SA	
190	1.1.1.1.13	Collective investment undertakings (CIU)	CR SA, Claims	
200	1.1.1.1.14	Equity	CR SA	

OWN FUNDS:				
Code	ID	Item	Legal references	Amount
020	1.1	COMMON EQUITY TIER 1 CAPITAL	Article 47 of CRR	
030	1.1.1	Capital instruments eligible as CET1 Capital	Articles 24(1) points (a) and (b), 25 to 27, 32(1) point (f) and 39 of CRR	
040	1.1.1.1	Paid up capital instruments	Articles 24(1) point a) and 25 to 27 of CRR	
050	1.1.1.1.1	(-) Capital instruments not eligible	Article 26(1) points b), i) and m) of CRR	
060	1.1.1.1.3	Share premium	Articles 22(29) and 24(1) point (b) of CRR	
070	1.1.1.1.4	(-) Own CET1 instruments	Articles 33(1) point (f) and 39 of CRR	
080	1.1.1.1.4.1	(-) Direct holdings of CET1 instruments	Articles 33(1) point (f) and 39 point (a) of CRR	
090	1.1.1.1.4.2	(-) Indirect holdings of CET1 instruments	Articles 33(1) point (f) and 39 points of CRR	
100	1.1.1.1.4.1	(-) Underlying exposure to own CET1 instruments included in the trading book in the form of index securities	Article 39 points (b) and (c) of CRR	
110	1.1.1.1.4.2	(-) CET1 instruments which the group could be contractually obliged to purchase	Article 33(1) point (f) of CRR	
120	1.1.1.1.4.2	(-) Holdings of CET1 instruments by undertakings in which the institution has participation of 20% or more		

CAPITAL RATIOS:				
Code	ID	Item	Legal references	Amount
010	1	CET1 Capital ratio	Article 87(2) point (a) of CRR	
020	2	Surplus(+)/Deficit(-) of CET1 capital		
030	3	T1 Capital ratio	Article 87(2) point (b) of CRR	
040	4	Surplus(+)/Deficit(-) of T1 capital		
050	5	Total capital ratio	Article 87(2) point (c) of CRR	
060	6	Surplus(+)/Deficit(-) of total capital		

MEMORANDUM ITEMS:				
Code	ID	Item	Legal references	Amount
420	14.2.1	Gross indirect holdings of T2 capital of relevant entities where the institution does not have a significant investment	Articles 65 and 66 point (b) of CRR	
430	14.2.2	(-) Permitted offsetting short positions in relation to the indirect gross holdings included above	Article 66 of CRR	
Investments in the capital of relevant entities where the institution has a significant investment				
440	15	Holdings of CET1 capital of relevant entities where the institution has a significant investment, net of short positions	Articles 41, 42, 44 and 46 of CRR	
450	15.1	Direct holdings of CET1 capital of relevant entities where the institution has a significant investment	Articles 41, 42 point (a), 44 and 46 of CRR	
460	15.1.1	Gross direct holdings of CET1 capital of relevant entities where the institution has a significant investment	Articles 41, 42 point (a), 44 and 46 of CRR	
470	15.1.1.2	(-) Permitted offsetting short positions in relation to the direct gross holdings included above	Article 42 point (a) of CRR	
480	15.2	Indirect holdings of CET1 capital of relevant entities where the institution has a significant investment	Articles 41 and 42 of CRR	
490	15.2.1	Gross indirect holdings of CET1 capital of relevant entities where the institution has a significant investment	Articles 41 and 42 point (b) of CRR	
500	15.2.2	(-) Permitted offsetting short positions in relation to the indirect gross holdings included above	Article 42 of CRR	
510	16	Holdings of AT1 capital of relevant entities where the institution has a significant investment, net of short positions	Articles 53 point(d), 55 and 56 of CRR	
520	16.1	Direct holdings of AT1 capital of relevant entities where the institution has a significant investment	Articles 53 point(d), 55 and 56 of CRR	
530	16.1.1	Gross direct holdings of AT1 capital of relevant entities where the institution has a significant investment	Articles 53 point (d) and 55 of CRR	
540	16.1.2	(-) Permitted offsetting short positions in relation to the direct gross holdings included above	Article 56 point (a) of CRR	
550	16.2	Indirect holdings of AT1 capital of relevant entities where the institution has a significant investment	Articles 55 and 56 of CRR	
560	16.2.1	Gross indirect holdings of AT1 capital of relevant entities where the institution has a significant investment	Articles 55 and 56 point (b) of CRR	
570	16.2.2	(-) Permitted offsetting short positions in relation to the indirect gross holdings included above	Article 56 of CRR	
580	17		Articles 63 point (d), 65 and 66 of CRR	

TRANSITIONAL PROVISIONS							
Table Summary	Adjustments to CET1	Adjustments to AT1	Adjustments to T1	Adjustments to T2	Adjustments to own funds	Adjustments included in RWAs	
01 Total adjustments	000	000	000	000	000	000	
02 1) or grandfathered instruments							
03 1) Minority interests and subsidiaries							
04 1) Adjustments to deductions							
05 1) Unpaid gains and losses							
06 1) Discontinued							
07 1) Additional items and deductions							
Section 1 Grandfathered instruments							
Table 2 Grandfathered instruments: Instruments constituting State aid	Legal references	Total grandfathered amount					
01 1. Instruments that qualified for point a) of Article 57 of 2006/48/EC	Article 46(2) and (2) of CRR	000					
02 2. Instruments that qualified for point a) of Article 57 and for Article 66(2) of 2006/48/EC	Article 46(2) and (3) of CRR						
03 3. Instruments that qualified for points b), g) or h) of Article 57 and for Article 66(2) of 2006/48/EC	Article 46(2) and (4) of CRR						
Table 3 Grandfathered instruments: Instruments not constituting State aid	Legal references	Amount of instruments plus related state premium	Base for calculating the limit	Applicable percentage	Limit	(1) Amount that exceeds the limit for grandfathering	Total grandfathered amount
01 1. Instruments that qualified for point a) of Article 46(2)	Article 46(2) to (5) of CRR	000	000	000	000	000	000

New EU Reports on Large Exposures

- Per counterparty group and then focus on individual counterparties
- Direct and indirect exposures
- Detailed information on credit risk mitigants (collaterals and guarantees applied)

LE Limits

	Applicable limit
000 Non-institution	000
000 Credit institutions	
000 Regulated entities	

LE 1 TEMPLATE Large exposures in the non-trading and trading book

COUNTERPARTY IDENTIFICATION			COUNTERPARTY CHARACTERISTICS						ORIGINAL EXPOSURES											Value adjustments and provisions	Exposure value before application of exemptions and CRM			ELIGIBLE CREDIT RISK MITIGATION (CRM) TECHNIQUES							Exposure value after application of exemptions and CRM			Memorandum item: number of breaches during reporting period	
Name	Code	Group or individual	Residence of the counterparty	Sector of the counterparty	NACE code	Total original exposure	Of which: defaulted	Direct exposures			Indirect exposures					Schemes (top through effect)	Value adjustments and provisions	Exposure deducted from own funds	Total	Of which: Non-trading book	% of eligible capital	Substitution effect of eligible credit risk mitigation techniques							Funded credit protection (top through substitution effect)	Real estate	Amounts exempted	Total	Of which: Non-trading book	% of eligible capital	
								Debt instruments	Equity instruments	Derivatives	Debt instruments	Equity instruments	Derivatives	Debt instruments	Equity instruments							Derivatives	Debt instruments	Equity instruments	Derivatives	Debt instruments	Equity instruments	Derivatives							
000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000

LE 2 TEMPLATE Detail of the exposure to individual entities within groups

COUNTERPARTY			COUNTERPARTY CHARACTERISTICS						ORIGINAL EXPOSURES											Value adjustments and provisions	Exposure value before application of exemptions and CRM			ELIGIBLE CREDIT RISK MITIGATION (CRM) TECHNIQUES							Exposure value after application of exemptions and CRM			Memorandum item: number of breaches during reporting period		
Group code	Name	Code	Type of counterparty	Residence of the counterparty	Sector of the counterparty	NACE code	Total original exposure	Of which: defaulted	Direct exposures			Indirect exposures					Schemes (top through effect)	Value adjustments and provisions	Exposure deducted from own funds	Total	Of which: Non-trading book	% of eligible capital	Substitution effect of eligible credit risk mitigation techniques							Funded credit protection (top through substitution effect)	Real estate	Amounts exempted	Total	Of which: Non-trading book	% of eligible capital	
								Debt instruments	Equity instruments	Derivatives	Debt instruments	Equity instruments	Derivatives	Debt instruments	Equity instruments	Derivatives							Debt instruments	Equity instruments	Derivatives	Debt instruments	Equity instruments	Derivatives	Debt instruments							
000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000	

New EU Reports on Liquidity Risk Ratios



- » Pretty in line with Basel QIS templates
- » LCR (CP05 Annex 1): reports on liquid assets, inflows and outflows
- » Stable funding (CP05 Annex 2): reports on available and required stable funding over next 12 months

ASSETS:				
Code	ID	Item	Legal references	Amount
1		LIQUID ASSETS	Article 404 of CRR	
1.1		(-) cash	Article 404.1(a) of CRR	
1.2		(-) deposits held with central banks		
1.2.1		(-) deposits that can be withdrawn in times of stress	Article 404.1(a) of CRR	
				Market value
1.3		(-) transferable assets representing claims on or guaranteed by the central government of a Member state or a third country if the institution incurs a liquidity risk in that Member state or third country that it covers by holding those liquidity assets	Article 404.1(c) of CRR	
1.3.1		(-) representing claims on sovereigns		
1.3.2		(-) guaranteed by sovereigns		
1.4		(-) total shares or units in CUIs with underlying assets specified in Article 404	Article 406.2 of CRR	
1.4.1		(-) underlying assets in point (a) of article 404.1	Article 406.2(a) of CRR	
1.4.2		(-) underlying assets in point (b) and (c) of article 404.1	Article 406.2(b) of CRR	
1.4.3		(-) underlying assets in point (d) of article 404.1		
				Market value extremely high liquidity and credit quality
				Market value high liquidity and credit quality
1.5		(-) securities with a 0% risk weight		
1.5.1		(-) representing claims on sovereigns		
1.5.2		(-) guaranteed by sovereigns		
1.5.3		(-) representing claims on or guaranteed by central banks		
1.5.4		(-) representing claims on or guaranteed by public sector entities, regional governments and local authorities		
1.5.5		(-) representing claims on or guaranteed by BIS, IMF, EC, or MDBs		
1.6		(-) securities with a 20% risk weight		
1.6.1		(-) representing claims on sovereigns		
1.6.2		(-) guaranteed by sovereigns		
1.6.3		(-) representing claims on or guaranteed by central banks		
1.6.4		(-) representing claims on or guaranteed by public sector entities, regional governments and local authorities		
1.6.5		(-) representing claims on or guaranteed by MDBs		
1.7		(-) assets issued by a credit institution which has been set up and is sponsored by a Member State central or regional government and the asset is guaranteed by that government and used to fund promotional loans granted on a non-competitive, not for profit basis	Article 404.2(a)(iii) of CRR	
1.8		(-) non financial corporate bonds		
1.8.1		(-) rated AA- or better		

Items requiring stable funding:								
Code	ID	Item	Legal references	amount due				
				within three months	between three and 6 months	between 6 and 9 months	between 9 and 12 months	after 12 months
1		ITEMS REQUIRING STABLE FUNDING						
1.1		(-) assets referred to in Article 404	Article 415.1(a) of CRR					
1.1.1		(-) extremely highly liquid assets						
1.1.1.1		(-) which institutions identify themselves						
1.1.1.2		(-) which are identified in the CRR text						
1.1.2		(-) highly liquid assets						
1.1.2.1		(-) which institutions identify themselves						
1.1.2.2		(-) which are identified in the CRR text						
1.2		(-) securities and money market instruments not reported in 1.1	Article 415.1(b) of CRR					
1.3		(-) equity securities of non-financial entities listed on a major index in a recognised exchange	Article 415.1(c) of CRR					
1.4		(-) other equity securities	Article 415.1(d) of CRR					
1.5		(-) gold	Article 415.1(e) of CRR					
1.6		(-) other precious metals	Article 415.1(f) of CRR					
1.7		(-) non-renewable loans and receivables	Article 415.1(g) of CRR					
1.7.1		(-) the borrowers of which are natural persons and small and medium sized enterprises (deposit <1m)	Article 415.1(g)(i) of CRR					
1.7.2		(-) the borrowers of which are sovereigns, central banks and PSEs	Article 415.1(g)(ii) of CRR					
1.7.3		(-) the borrowers of which are not referred to in Article 414.1(g)(i) and (ii) other than financial customers	Article 415.1(g)(iii) of CRR					
1.7.4		(-) the borrowers of which are any other customers	Article 415.1(g)(iv) of CRR					
1.8		(-) derivatives receivables	Article 415.1(h) of CRR					
1.9		(-) any other assets	Article 415.1(i) of CRR					
1.10		(-) undrawn credit facilities that qualify as 'medium risk' or 'mediumflow risk' under Annex I.	Article 415.1(j) of CRR					

New EU Reports on Leverage Ratio



- » Pretty in line with Basel QIS templates
- » (CP06 Annex 1): reports on-balance and off-balance exposures, before and after regulatory netting, additional break down per Basel asset classes and RWs

Leverage ratio

Template LR1: On-balance sheet items

Row	Column			
	Accounting balance sheet value	Gross value (assume no netting or CRM)	Value setting rules	
			Method 1	Method 2
010 Derivatives:				
020 Credit derivatives (protection sold)				
030 Credit derivatives (protection bought)				
040 Financial derivatives				
050 SFT covered by a netting agreement				
060 Other SFT				
070 Other assets				

Template LR2: Derivatives and off-balance sheet items

Row	Column				
	Original Exposure Method (OEM)	Mark-to-market method (assume no netting or CRM)	Mark-to-market method		Notional amount
			Method 1	Method 2	
010 Derivatives:					
020 Credit derivatives (protection sold), which are subject to close out clause					
030 Credit derivatives (protection sold), which are not subject to close out clause					
040 Credit derivatives (protection bought)					
050 Financial derivatives					
060 Off-balance sheet items with a 0% CCF in the RSA; of which:					
070 Unconditionally cancellable credit cards commitments					
080 Drawn amounts on unconditionally cancellable credit cards commitments					
090 Other unconditionally cancellable commitments					
100 Drawn amounts on other unconditionally drawn cancellable commitments					
110 Off-balance sheet items with a 20% CCF in the RSA					
120 Off-balance sheet items with a 50% CCF in the RSA					
130 Off-balance sheet items with a 100% CCF in the RSA					

Template LR3: On- and off-balance sheet items – additional breakdown of exposures

Row	Column	
	On-balance sheet exposures	Off-balance sheet exposures
Total on- and off-balance sheet exposures belonging to the banking book (breakdown according to the effective risk weight):		
010 = 0%		
020 > 0 and ≤ 12%		
030 > 12 and ≤ 20%		
040 > 20 and ≤ 50%		
050 > 50 and ≤ 75%		
060 > 75 and ≤ 100%		
070 > 100 and ≤ 425%		
080 > 425 and ≤ 1250%		
090 Defaulted exposures		

New EU Report on Mortgage Losses and Exposures



CR IP LOSSES

Exposures and losses from lending collateralised by immovable property

	Losses								Exposures		
	Sum of losses stemming from lending up to the reference percentages				Sum of overall losses				Sum of the exposures		
	010	of which: immovable property valued with mortgage lending value 020	of which: SA exposures 030	of which: IRB exposures 040	050	of which: immovable property valued with mortgage lending value 060	of which: SA exposures 070	of which: IRB exposures 080	090	of which: SA exposures 100	of which: IRB exposures 110
collateralised by:											
010	Residential property										
020	Commercial immovable property										

New Common EU FINREP



- » Financial reports (IFRS or local GAAP)
- » At consolidated level only
- » 20 reports (to be sent twice a year)
- » Balance Sheet, income statement, impairments (specific and general allowances)
- » Detailed assets, liabilities, off balance sheet, derivatives products breakdown:
 - » per product type
 - » per type of counterparty
 - » per risk type
 - » per country (residence of the counterparty)
 - » per industry sector (NACE Codes)
 - » per accounting strategy

3. Derivatives held for trading

By type of risk	By product or by type of market	Carrying amount		Notional amount	
		Assets	Liabilities	Assets	Liabilities
Interest rate	OTC options				
Interest rate	OTC other				
Interest rate	Organized market options				
Interest rate	Organized market other				
Interest rate	of which: economic hedges				
Equity	OTC options				
Equity	OTC other				
Equity	Organized market options				
Equity	Organized market other				
Equity	of which: economic hedges				
Currency (FX)	OTC options				
Currency (FX)	OTC other				
Currency (FX)	Organized market options				
Currency (FX)	Organized market other				
Currency (FX)	of which: economic hedges				
Credit	Credit default swap				
Credit	Credit spread option				
Credit	Total return swap				
Credit	Other				
Credit	of which: economic hedges				
Commodity	of which: economic hedges				
Commodity	of which: economic hedges				
Other	of which: economic hedges				
Total					
	of which: OTC - credit institutions				
	of which: OTC - other financial corporations				
	of which: OTC - rest				

Annotations in the table: A blue box labeled 'measures' is positioned above the Carrying amount and Notional amount columns. A green box labeled 'dimension' is positioned to the left of the rows, and a purple box labeled 'dimension' is positioned to the right of the rows. An orange box labeled 'dimension' is positioned below the Total row.

Agenda

1. **Basel III status update**
2. **EU Implementation**
3. **US Implementation**
4. **Rest of the World**
5. **What is next on the Regulators' Agenda?**

US Basel III Implementation



- » Basel III as one of the many requirements in the Dodd Frank Act (DFA), the US big financial reform initiated after 2008 crisis
- » Detailed Basel III NPR on regulatory capital published the 7th of June 2012 (comments expected by 7th of September 2012, progressive roll out starting in 2013)
- » Final Basel 2.5 rules for market risk update published also the 7th of June 2012 (application date: 1st of January 2013)
- » New rules on Basel III liquidity risk ratios and G-SIBs additional capital buffers will be addressed in future proposals

Press Release

Release Date: June 7, 2012

For immediate release

The Federal Reserve Board on Thursday invited comment on three proposed rules intended to help ensure banks maintain strong capital positions, enabling them to continue lending to creditworthy households and businesses even after unforeseen losses and during severe economic downturns.

Taken together, the proposals would establish an integrated regulatory capital framework that addresses shortcomings in regulatory capital requirements that became apparent during the recent financial crisis. The proposed rule would implement in the United States the Basel III regulatory capital reforms from the Basel Committee on Banking Supervision and changes required by the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Proposed rules on BIII:

<http://www.federalreserve.gov/newsevents/press/bcreg/20120607a.htm>

Final rules on BII.5 market risk:

<http://www.federalreserve.gov/newsevents/press/bcreg/bcreg20120607b1.pdf>

US Basel III Implementation



Type of Institutions	Review of own fund eligibility rules & capital ratios increased (including CET1 minimum ratio, conservation buffer)	Countercyclical Buffer	RWA rules for Credit Risk & CCR	RWA rules for Market Risk	Reporting requirements including Pillar 3	Leverage Ratio
All US banks (over 500 Millions US\$ of total assets)	Progressive roll out starting in 2013	Not Applicable	Basel III Standardized approach (with some specificities), replacing current US Basel I rules Application date: 1st of Jan 2015 (possibility to comply earlier)	Not applicable	Simpler version	Simpler version
US Savings and Loan Holding Companies (SLHCs)					Enhanced version	Simpler version
US banks or SLHCs (over 50 Billions US\$ of total assets)		Enhanced version	Enhanced version (including off balance sheet exposures)			
US banks or SLHCs (over 250 Billions US\$ of total assets OR with over 10 Billions of FX exposures)		Applicable	Basel III IRB including CVA risk (with some specificities) Application date: 1st of Jan 2013?		Enhanced version	Enhanced version (including off balance sheet exposures)
US banks or SLHCs (trading assets/liabilities over 1 Billion US\$ OR over 10 % of balance sheet)		Depend on total assets	BIII standardized or IRB depending on total assets		BII.5 rules for market risk (with some specificities) Application date: 1st of Jan 2013	Enhanced version

US Basel III Standardized Specifics for Credit Risk or CCR



Not relying on rating agencies external ratings (Dodd Frank Act mandate)

- 0% RW for US sovereign
- 20% RW (or 100% RW) for US GSEs or PSEs
- 0% RW for international MDBs
- 20% RW for US banks
- 100% RW for non past due corporate exposures
- **OECD country ratings** used for foreign sovereigns, banks and PSEs RWs
- Collateral haircuts based on standardized RWs or “investment grade” criteria
- Simplified Supervisory Formula Approach (**SSFA**) or “gross up” approach for securitization exposures
- No minimum ratings criteria for guarantors eligibility

Residential Mortgages

- 0% if unconditionally guaranteed by US government (or agencies)
- 20% if conditionally guaranteed by US government (or agencies)
- Other wise: 35%, 50%, 75%, 100%, 150%, or 200% RWs depending on:
 - > Category 1 vs Category 2 classification (qualitative information)
 - > LTV ratios

US Basel III Standardized Specifics for Credit Risk or CCR



High Volatility Commercial Real Estate (HVCRE)

Some Commercial Mortgages are classified as HVCRE according to various regulatory criteria (e.g. LTV maximum ratios) and get then a 150% RW. Other CRE get 100% RW.

Equity and funds exposures

0%, 20%, 100%, 250%, 300%, 400% or 600% RWs depending on various qualitative criteria (e.g. type of issuer, public vs private equity ...). Specific equity hedging rules and funds look through approaches.

Other retail exposures

Other retail exposures (e.g. credit cards) get 100% RW

US Basel III Standardized Specifics for Credit Risk or CCR



No charge for CVA risk

CVA risk capital charge (even for Simple regulatory formula) only for IRB banks

No countercyclical buffer

Only for IRB banks

Simpler leverage ratio

Off balance sheet exposures included only for IRB banks

US Basel III IRB Specifics for Credit Risk or CCR



Not relying on rating agencies external ratings (Dodd Frank Act mandate)

- Collateral haircuts based on standardized RWs or “investment grade” criteria
- **SFA**, Simplified Supervisory Formula Approach (**SSFA**) or deduction approach for securitization exposures
- No minimum ratings criteria for guarantors eligibility (including for securitization guarantors or when applying “double default “approach)
- PD bands (internal ratings) instead of external ratings for CVA simple regulatory formula

Other specifics in line with current US Basel II rules

Examples :
Specific rules for mortgages, HVCRE, equities, funds, 100% RW in case of default, equity materiality rules ...

US Basel 2.5 Market Risk Rules



- » For IMA in lines with Basel 2.5 (e.g. Stressed VAR, IRC)
- » A US standardized approach proposed as an alternative for “specific risk”

**US standardized approach
for specific risk not
relying on ratings
(Dodd Frank Act mandate)**

Interest rate specific risk (e.g. bonds):

- 0% RW for US sovereign
- OECD country ratings and maturity used for foreign sovereigns, banks and PSEs bonds RWs
- Corporate bonds RWs depending on maturity and “investment grade” criteria

Securitization exposures

- Simplified Supervisory Formula Approach (**SSFA**) or “gross up” approach

Equity specific risk

- 2% or 8% RW depending on diversified index or not

US Basel III



- » New thresholds for Prompt Corrective Actions (PCAs)
- » New limitation on pay out ratio based on conservation buffer (e.g. dividend, equity buy back)

Table 3— Capital Conservation Buffer and Maximum Payout Ratio³⁷

Capital conservation buffer (as a percentage of total risk-weighted assets)	Maximum payout ratio (as a percentage of eligible retained income)
Greater than 2.5 percent	No payout ratio limitation applies
Less than or equal to 2.5 percent, and greater than 1.875 percent	60 percent
Less than or equal to 1.875 percent, and greater than 1.25 percent	40 percent
Less than or equal to 1.25 percent, and greater than 0.625 percent	20 percent
Less than or equal to 0.625 percent	0 percent

Table 6—Proposed PCA Levels for Insured Depository Institutions not Subject to the Advanced Approaches Rule

Requirement	Total RBC measure (total RBC ratio -- percent)	Tier 1 RBC measure (tier 1 RBC ratio -- percent)	Common Equity tier 1 RBC measure (common equity tier 1 RBC ratio (percent))	Leverage Measure (leverage ratio-- percent)	PCA requirements
Well Capitalized	≥ 10	≥ 8	≥6.5	≥ 5	Unchanged from current rules*
Adequately Capitalized	≥ 8	≥ 6	≥4.5	≥4	"
Undercapitalized	< 8	< 6	< 4.5	< 4	"
Significantly undercapitalized	< 6	< 4	< 3	< 3	"
Critically undercapitalized	Tangible Equity (defined as tier 1 capital plus non-tier 1 perpetual preferred stock) to Total Assets ≤ 2				"

Table 7—Proposed PCA Levels for Insured Depository Institutions Subject to the Advanced Approaches Rule

Requirement	Total RBC measure (total RBC ratio -- percent)	Tier 1 RBC measure (tier 1 RBC ratio -- percent)	Common Equity tier 1 RBC measure (common equity tier 1 RBC ratio percent)	Leverage Measure		PCA requirements
				leverage ratio (percent)	Supplementary leverage ratio (percent)	
Well Capitalized	≥ 10	≥ 8	≥6.5	≥ 5	Not applicable	Unchanged from current rule*
Adequately Capitalized	≥ 8	≥ 6	≥4.5	≥4	≥ 3.0	"
Undercapitalized	< 8	< 6	< 4.5	< 4	<3.00	"
Significantly undercapitalized	< 6	< 4	< 3	< 3	Not applicable	"
Critically undercapitalized	Tangible Equity (defined as tier 1 capital plus non-tier 1 perpetual preferred stock) to Total Assets ≤ 2				Not applicable	"

Other US Regulatory Initiatives as part of Dodd Frank



- » **CCAR stress testing and reporting requirements (FRY 14) – a huge regulatory burden**
 - Monthly: detailed loan level reports (on credit cards, mortgages transactions)
 - Quarterly: other loan levels reports on other assets classes and some risk reports
 - Yearly: Capital planning and RWA reports, **forward looking view** on upcoming 9 quarters (for base line **and for several stressed scenarios**)
 - Applicable to T1 banks (assets > 50 B US\$) and simplified version for T2 banks (assets > 10 B US\$)

- » **Single counterparty limit** (analogy with EU large exposures rules to monitor concentration risk)

- » **Common Legal Entity Identifiers (LEI)** for counterparty pushed by US Agencies (e.g. CFTC), shall become an international ISO standard pushed also by FSB

http://www.federalreserve.gov/reportforms/formsreview/FRY14A_FRY14M_FRY14Q_20120418_omb.pdf

<http://www.gpo.gov/fdsys/pkg/FR-2012-06-04/pdf/2012-13397.pdf>



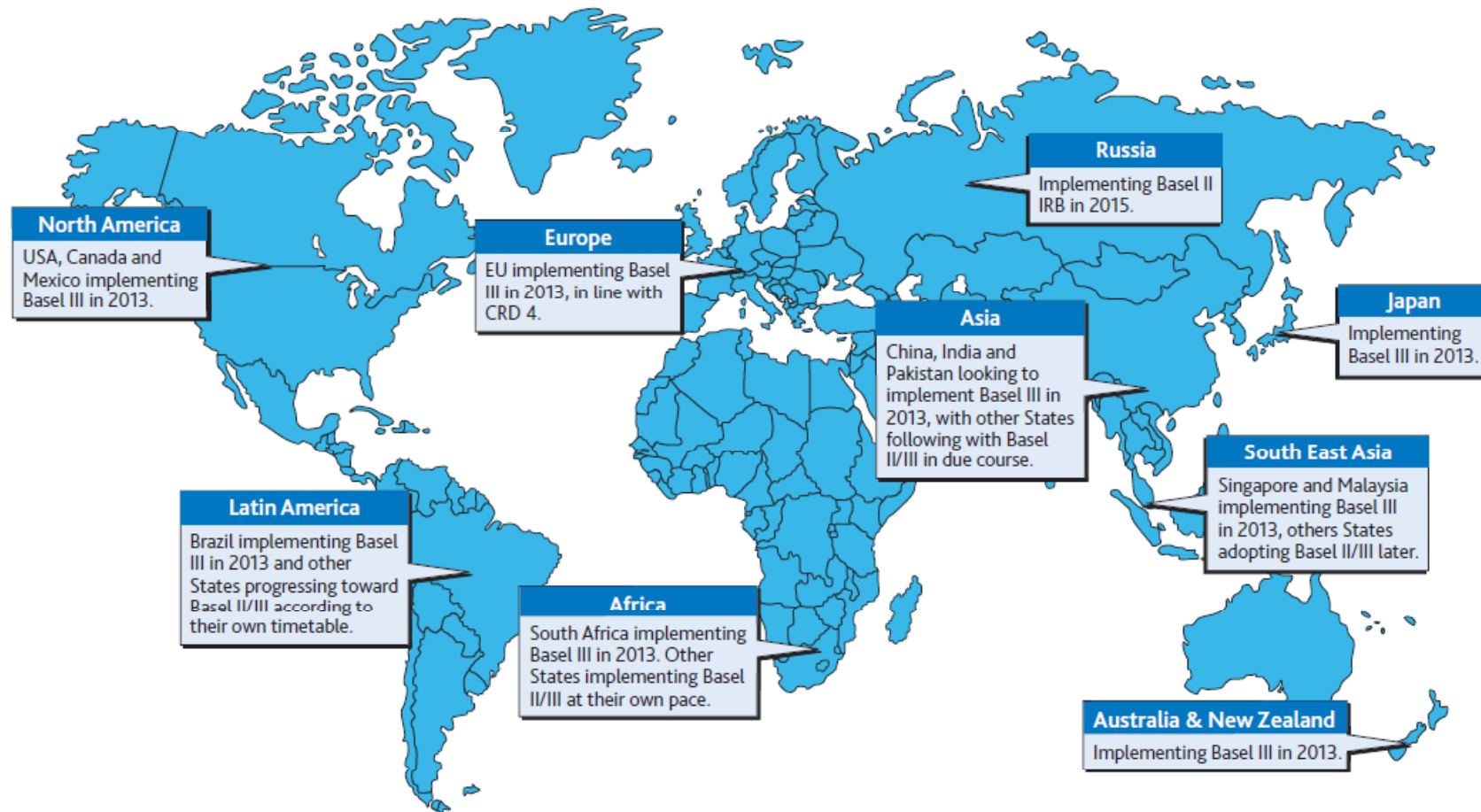
Risk Factor Schedules and Sub-Worksheets	Data as-of-date	Submission due to Federal Reserve
FR Y-14A (Annual Filings)		
Basel III/Dodd-Frank Schedule Regulatory Capital Instruments Schedule Macro Scenario Schedule Summary Schedule <ul style="list-style-type: none"> • Balance Sheet • Income Statement • Capital • Retail Risk • Operational Risk • Securities Risk • PPNR 	Data as-of September 30	Data due January 5 of the following year.
Market Shock exercise Summary Schedule <ul style="list-style-type: none"> • Trading Risk • CCR CCR Annual Schedule	Data as-of a specified date in the 4 th quarter. As-of-date would be communicated during the 4 th quarter after it had occurred.	Data due January 5 of the following year.
FR Y-14Q (Quarterly Filings)		
Securities Risk Schedule PPNR Schedule Retail Risk Schedule Wholesale Risk Schedule Operational Risk Schedule	Data as of each quarter end	Same as FR Y-9C reporting schedule. Reported data (40 calendar days after the calendar quarter-end for March, June, and September and 45 calendar days after the calendar quarter-end for December).
Basel III/Dodd-Frank Schedule Regulatory Capital Instruments Schedule	Data as of each quarter end Quarterly data reported for the first, second, and fourth quarters ONLY.	Same as FR Y-9C reporting schedule
Trading Risk Schedule	Data as of quarter end for first, second, and fourth quarters. Due to the fact that the 3 rd quarter data is part of the Market Shock exercise, the as-of-date for the 3 rd quarter would be communicated during the 4 th quarter after it had occurred.	Same as FR Y-9C reporting schedule The 3 rd quarter data would be due 40 calendar days after the notification date (notifying respondents of the as-of-date) or December 15, whichever comes earlier. BHCs may provide these data as-of the most recent date that corresponds to their weekly internal risk reporting cycle as long as it falls before the as-of-date.
FR Y-14M (Monthly Filings)		
Retail Risk Schedule <ul style="list-style-type: none"> • Domestic Home Equity Residential Mortgage • Domestic First Lien Closed-end 1-4 Family Residential Mortgage • Domestic Credit Card 	Data as-of the last business day of each calendar month	Reported data due by the 30 th calendar day of the following month

Agenda

1. **Basel III status**
2. **EU Implementation**
3. **US Implementation**
4. **Rest of the World**
5. **What is next on the Regulators' Agenda?**

Rest of the World

G20 country members are committed to implement Basel III from 2013



ROW – Basel Committee Progress Report – Basel 2.5 Status

<http://www.bis.org/publ/bcbs215.pdf>

Status of Basel 2.5 adoption (as of end March 2012)

Country	Basel 2.5	Next steps – Implementation plans
Argentina	1	On-going work to draft preliminary documents.
Australia	4	
Belgium	4	
Brazil	4	
Canada	4	
China	4	Basel 2.5 included in BII related guidelines and to be integrated into new capital regulation.
France	4	
Germany	4	
Hong Kong SAR	4	
India	4	
Indonesia	1	Basel 2.5 considered as not relevant to be implemented in the Indonesian context as securitisation exposures are very small and more on traditional forms (only one bank has completed securitisation transactions as the originator). Moreover, no bank in Indonesia has adopted the internal model-based approach for market risk capital charge calculation.
Italy	4	
Japan	4	
Korea	4	
Luxembourg	4	
Mexico	1	Securitisation and resecuritisation requirements to be implemented within the Basel III framework, which will be implemented early in 2012. On-going work to incorporate the enhancements to Pillar 2 and Pillar 3 and the revisions to the Basel II market risk framework.
The Netherlands	4	
Russia	1, 2	(1) Pillar 2 expected to be implemented not earlier than in 2014. (2) Final regulation (revision to the simplified approach for market risk) expected shortly - regulation expected to come into force during Q2 2012.
Saudi Arabia	3	
Singapore	4	
South Africa	4	
Spain	4	
Sweden	4, 1	(4) Final rules for the Basel 2.5 agreement are in force, including liquidity management and remuneration. (1) The supplementary Pillar 2 guidance is, for the most part, applied in practice in the Pillar 2 supervision, however a new national ICAAP guideline is still under development.

Switzerland	4	
Turkey	1, 4	(1) On-going work to harmonise current regulation with Basel 2.5 rules - final regulation expected to be published in early 2012. (4) Changes related to securitisation/resecuritisation positions taken into account in the Basel III context.
United Kingdom	4	
United States	1, 2	(2) Market risk capital requirements have been proposed and remain to be finalised. These proposed requirements were modified in December 2011 to incorporate restrictions on the use of credit ratings as set forth in the Dodd-Frank regulatory reform legislation. (1) Other Basel 2.5 revisions are under development as part of the proposed Basel III rule currently expected to be issued for comment during Q2 2012.
European Union	4	Final date for full transposition by member states of the European directive implementing Basel 2.5: 31 December 2011.

Number and colour code: 1 = draft regulation not published; 2 = draft regulation published; 3 = final rule published; 4 = final rule in force. Green = implementation completed; Yellow = implementation in process; Red = no implementation.

ROW – Basel Committee Progress Report – Basel III Status

<http://www.bis.org/publ/bcbs215.pdf>

http://www.bis.org/publ/bcbs/b3prog_dom_impl.htm

Status of Basel III adoption (as of end March 2012)

Country	Basel III	Next steps – Implementation plans
Argentina	1	On-going work to draft preliminary documents.
Australia	2	Draft rules for capital requirements issued on 30 March 2012. Draft rules to implement liquidity requirements issued in November 2011 for public consultation until 17 February 2012.
Belgium	(2)	(Follow EU process – third compromise text published)
Brazil	2	Draft regulation published for public consultation on 17 February 2012.
Canada	2	On 1 February 2011, banks were directed to meet the 7% CET1 standard as of January 2013. Regulations for (i) non-viability contingent capital and (ii) transitioning for non-qualifying instruments published August and October 2011 respectively. Draft regulation for definition of capital and counterparty credit risk issued to banks in March 2012.
China	2	Draft regulation combines BII, B2.5 and BIII. Public consultation ended in 2011. Final rule expected to come into force in Q3 2012. Will be applied to all banking institutions.
France	(2)	(Follow EU process – third compromise text published)
Germany	(2)	(Follow EU process – third compromise text published)
Hong Kong SAR	1,3	(3) Bill passed by the Legislative Council on 29 February 2012 and published for the purpose of creating rule-making powers for the implementation of Basel III. (1) Industry consultation underway on policy proposals for inclusion in rules. Consultation on draft text of rules scheduled for second half of 2012.
India	2	Draft regulation released for comments on 30 December 2011.
Indonesia	1	Draft regulation to be released for consultation with industry in Q2 2012.
Italy	(2)	(Follow EU process – third compromise text published)
Japan	3	Draft regulation published on 7 February 2012 – Final rules published on 30 March 2012 – Implementation of final rules (end of March 2013 – In Japan, the fiscal year for banks starts in April and ends in March).
Korea	1	Draft regulation to be published in the first half of 2012.
Luxembourg	(2)	(Follow EU process – third compromise text published)
Mexico	1	Final rule expected in Q2 2012.
The Netherlands	(2)	(Follow EU process – third compromise text published)
Russia	1	Draft regulations under development.
Saudi Arabia	3	Final regulation issued to banks.
Singapore	2	Public consultation on draft ended in February 2012. Final rule is expected to be published in mid-2012.

South Africa	1	Draft amendments to legislation issued on 30 March 2012 for consultation.
Spain	(2)	(Follow EU process – third compromise text published)
Sweden	(2)	(Follow EU process – third compromise text published)
Switzerland	2	Public consultation on draft regulation on Basel III has been finished in January 2012. Decision on final rules text expected until mid-2012. Final SIFI regulation (level: Banking Act) adopted by Parliament on 30 September 2011 – Draft SIFI regulation (level: accompanying ordinances) was published in December 2011; decision on final rule text expected before end-2012.
Turkey	1	Draft regulation expected to be published in mid-2012.
United Kingdom	(2)	(Follow EU process – third compromise text published)
United States	1	Draft regulation for consultation planned during Q2 2012. Basel 2.5 and Basel III rulemakings in the United States must be coordinated with applicable work on implementation of the Dodd-Frank regulatory reform legislation.
European Union	2	Third compromise text (directive and regulation) published by the Danish Presidency on 28 March 2012.

Number code: 1 = draft regulation not published; 2 = draft regulation published; 3 = final rule published; 4 = final rule in force.

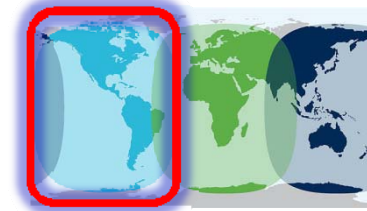
EMEA – Basel III Status



Country	Detailed Basel III rules	Updated regulatory reporting templates	Application date
EU	Draft published	Draft published	2013
Russia	Not yet, IRB not before 2015	No yet	2015
Saudi Arabia	Not yet	No yet	2013
South Africa	Draft published	No yet	2013
Switzerland	Draft published (no more Swiss finish for standardized approach)	No yet	2013
Turkey	Just move to Basel II IRB recently No info yet on Basel III	No yet	?
Morocco	Should move to Basel II IRB in 2013 No info yet on Basel III	No yet	?
Others: Israel, UAE ...	No info yet on Basel III	No yet	?

Source: Moody's Analytics

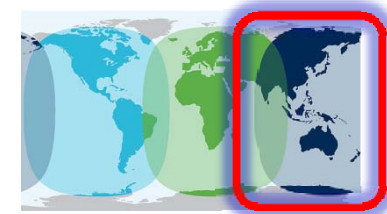
Americas – Basel III Status



Country	Detailed Basel III rules	Updated regulatory reporting templates	Application date
Argentina	Not yet	No yet	2013
Brazil	Draft published (including new IRB regulation)	No yet	2013
Canada	Draft published	No yet	2013
Mexico	Not yet	No yet	2013
US	Draft published	No yet (besides FRY14 for CCAR)	2013

Source: Moody's Analytics

APAC – Basel III Status



Country	Detailed Basel III rules	Updated regulatory reporting templates	Application date
Australia	Draft published	No yet	2013
China	Draft published	Draft published	2013
Hong Kong	Not yet (expected in June)	No yet	2013
India	Draft published	No yet	2013
Indonesia	Not yet	No yet	2013
Japan	Draft published	No yet	2013
Malaysia	Draft published	No yet	2013
New Zealand	Draft published	No yet	2013
Philippines	Not yet (should be published by EOY 2012)	No yet	2014
Singapore	Draft published	Draft published	2013
South Korea	Not yet	No yet	2013
Taiwan	Draft published	Draft published	2013
Thailand	Draft published	No yet	2013

Source: Moody's Analytics

Agenda

1. **Basel III Status Update**
2. **EU Implementation**
3. **US Implementation**
4. **Rest of the World**
5. **What is next on the Regulators' Agenda?**

“Fundamental Trading Book Review”, Basel IV?



» “Fundamental Trading Book Review” from the Basel Committee

<http://www.bis.org/publ/bcbs219.pdf>

- Proposal to update all trading book (Market Risk) regulatory capital rules
- Long term initiative 2 or 3 years (that may be speed up by recent JP Morgan events)
- May become Basel 4 or at least Basel 3.5

Main proposals:

- Review trading book definition (How to classify assets in trading vs banking book)
- Internal Model approach changes:
 - » Expected short fall metric to capture rare loss events instead of Value At Risk
 - » Liquidity horizons to consider
- New standardized approach model being defined
 - » Standardized approach may be mandatory (possibly as a floor) even for institutions using Internal Model
- Idea to propose capital requirement to cover banking book Interest Rate Risk (ALM)

Q & A

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