# INTEGRATED REGULATORY REPORTING (AMENDMENT NO 9) INSTRUMENT 2010

## Powers exercised

A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):

(1) section 138 (General rule-making power);
(2) section 156 (General supplementary powers); and
(3) section 157(1) (Guidance).

B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

## Commencement

C. This instrument comes into force on 31 December 2010.

## Amendments to the Handbook

D. The Supervision manual (SUP) is amended in accordance with the Annex to this instrument.

## Citation

E. This instrument may be cited as the Integrated Regulatory Reporting (Amendment No 9) Instrument 2010.

By order of the Board
16 December 2010

## Annex

## Amendments to the Supervision manual (SUP)

In this Annex, underlining indicates new text and striking through indicates deleted text.

### 16 Annex 24R Data items for SUP 16.12

**FSA003**

**Capital adequacy**

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| | | |
|---|---|---|
| 70 | **Total variable capital requirement** | |
| 71 | Variable capital requirement for UK banks and building societies | |
| 72 | Variable capital requirement for full scope BIPRU investment firms | |
| 73 | Variable capital requirement for BIPRU limited activity firms | |
| 74 | Variable capital requirement for BIPRU limited licence firms | |
| 75 | Variable capital requirement for UCITS investment firms | |
| 76 | Variable capital requirements to be met from tier one and tier two capital | |
| 77 | Total credit risk capital component | |
| 78 | Credit risk ~~calculated by aggregation for UK consolidation group reporting~~ for UK consolidation group reporting calculated under non-EEA rules | |
| 79 | Credit risk capital requirements under the standardised approach | |
| 80 | Credit risk capital requirements under the IRB approach | |
| 81 | Under foundation IRB approach | |
| 82 | Retail IRB | |
| 83 | Under advanced IRB approach | |
| 84 | Other IRB exposures classes | |
| 85 | Total operational risk capital requirement | |
| 86 | Operational risk for UK consolidation group reporting calculated under non-EEA rules ~~by aggregation for UK consolidation group reporting~~ | |
| 87 | Operational risk basic indicator approach | |
| 88 | Operational risk standardised/alternative standardised approaches | |
| 89 | Operational risk advanced measurement approaches | |
| 90 | Reduction in operational risk capital requirement under BIPRU TP 12.1 | |

| | | | |
|---|---|---|---|
| 91 | Counterparty risk capital component | | |
| 92 | Capital requirements for which tier three capital may be used | | |
| 93 | Total market risk capital requirement | | |
| 94 | Market risk capital requirement for UK consolidation group reporting calculated under non-EEA rules ~~calculated by aggregation for UK consolidation group reporting~~ | | |
| 95 | Position, foreign exchange and commodity risks under standardised approaches (TSA) | | |
| 96 | Interest rate PRR | | |
| 97 | Equity PRR | | |
| 98 | Commodity PRR | | |
| 99 | Foreign currency PRR | | |
| 100 | CIU PRR | | |
| 101 | Other PRR | | |
| 102 | Position, foreign exchange and commodity risks under internal models (IM) | | |
| 103 | Concentration risk capital component | | |
| 104 | Fixed overhead requirement | | |
| 105 | Capital resources requirement arising from capital floors | | |
| 106 | Surplus (+) / Deficit (-) of own funds | | |
| 107 | Solvency ratio (%) | | |
| 108 | Individual Capital Guidance - total capital resources | | |
| 109 | Individual Capital Guidance - general purpose capital | | |
| 142 | Capital Planning Buffer | | |
| 143 | Draw Down of Capital Planning Buffer | | |
| 110 | Surplus/(deficit) total capital over ICG | | |
| 111 | Surplus/(deficit) general purposes capital over ICG | | |
| 144 | Surplus/(deficit) total capital over ICG and Capital Planning Buffer | | |
| 145 | Surplus/(deficit) general purposes capital over ICG and Capital Planning Buffer | | |

**MEMORANDUM ITEMS**

| | | |
|---|---|---|
| 112 | Value of portfolio under management - UCITS investment firms | |

**Prudential filters**

| | | |
|---|---|---|
| 113 | Unrealised gains on available-for-sale assets | |
| 114 | Unrealised gains (losses) on investment properties | |
| 115 | Unrealised gains (losses) on land and buildings | |
| 116 | Unrealised gains (losses) on debt instruments held in the available for sale category | |

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|---|---|---|
| 117 | Unrealised gains (losses) on cash flow hedges of financial instruments | |
| 118 | Unrealised gains (losses) on fair value financial liabilities | |
| 119 | Defined benefit asset (liability) | |
| 120 | (Deficit reduction amount) if used | |
| 121 | Deferred acquisition costs (deferred income) (DACs/DIRs) | |
| | **Minority interests** | |
| 122 | Minority interests included within capital resources | |
| 123 | of which: innovative tier one instruments | |
| | **Profits** | |
| 124 | Profits not externally verified at the reporting date but subsequently verified | |
| 125 | Total capital after deductions after profits have been externally verified | |
| | **Allocation of deductions between tier one and two capital** | |
| 126 | Material insurance holdings excluded from allocation | |
| 127 | Allocated to tier one capital | |
| 128 | Allocated to tier two capital | |
| | **Firms on the IRB/AMA approaches** | |
| 129 | Total capital requirement under pre-CRD rules | |
| 130 | Total credit risk capital component under pre-CRD | |
| 131 | Expected loss amounts - wholesale, retail and purchased receivables | |
| 132 | Expected loss amounts - equity | |
| 133 | Total value adjustments and provisions eligible for the "EL less provisions" calculation under IRB | |
| 134 | Total deductions from tier 1 and tier 2 capital according to pre-CRD rules | |

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## 16 Annex 25G Guidance notes for data items in SUP 16 Annex 24R

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## FSA003 – Capital adequacy

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### 77A Total credit risk capital component

See *BIPRU* 3.1.5R, as modified if a firm has an IRB permission.

A further breakdown of this figure is provided quarterly in FSA004 for those firms that are required to report that data item.

For *UK consolidation group* reporting, this is the part of the *consolidated credit risk requirement* corresponding to the *credit risk capital component* (i.e. the capital requirements for credit risk excluding concentration risk and counterparty risk). This will be the sum of data elements 78A, 79A and 80A.

[*CEBS' CA 2.1*]

**78A Credit risk for UK consolidation group reporting calculated ~~by aggregation for UK consolidation group reporting~~ under non-EEA rules**

This is only relevant for *UK consolidation groups*~~, and then only if they calculate their *credit risk capital component* under *BIPRU* 8.7.13R(2)~~. The only amount to be included here is the part (if any) of data element 77A calculated (when this is allowed under *BIPRU* 8) using the rules of a non-*EEA* regulator.

If the *UK consolidation group* is comprised wholly of firms authorised and incorporated in the *EEA*, this data element will not be applicable.

**79A Credit risk capital requirements under the standardised approach**

The *credit risk capital component* calculated under *BIPRU* 3, using the exposure classes set out in *BIPRU* 3.2.9R.

For *UK consolidation group reporting*, this will be that part of their *consolidated credit risk requirement* included in data element 77A calculated under:

(a) *BIPRU* 3; or
(b) the corresponding rules of another *EEA* regulator (when this is allowed under *BIPRU* 8).

It should not include any amount calculated using the rules of a non-*EEA* regulator. It will be after any consolidation adjustments for inter-group transactions.

This will agree with data element 1A on FSA004.

[*CEBS' CA 2.1.1*]

**80A Credit risk capital requirements under the IRB approach**

The *credit risk capital component* under *BIPRU* ~~3~~ 4 calculated in accordance with a firm's IRB permission to use the IRB approach ~~and *BIPRU* 4~~.

For *UK consolidation group* reporting, this will be that part of their *consolidated credit risk requirement* included in data element 77A calculated under:

(a) *BIPRU* 4; or
(b) the corresponding rules of another *EEA* regulator (when this is allowed under *BIPRU* 8).

It should not include any amount calculated using the rules of a non-*EEA* regulator. It will be after any consolidation adjustments for inter-group transactions.

[*CEBS' CA 2.1.2*]

**81A Under foundation IRB approach**

The part of the *credit risk capital component* under *BIPRU* ~~3~~ 4 calculated in accordance with a firm's IRB permission to use the foundation IRB approach ~~and *BIPRU* 4~~. This figure covers the following exposures classes:

- central government and central banks (*BIPRU* 4.3.2R(1));
- institutions (*BIPRU* 4.3.2R(2)); and
- corporates (*BIPRU* 4.3.2R(3)).

For *UK consolidation group* reporting, this will be that part of their *consolidated credit risk requirement* included in data element 77A calculated under:

(a) the relevant parts of *BIPRU* 4; or
(b) the corresponding rules of another *EEA* regulator (when this is allowed under *BIPRU* 8).

It should not include any amount calculated using the rules of a non-*EEA* regulator.
It will be after any consolidation adjustments for inter-group transactions.

This will agree to data element 18A on FSA004.

[*CEBS' CA 2.1.2.1*]

**82A Retail IRB**

This covers the part of the *credit risk capital component* under *BIPRU* ~~3~~ 4 calculated in accordance with a firm's IRB permission to use the ~~advanced~~ IRB approach ~~and *BIPRU* 4~~, and covers the retail exposure class (*BIPRU* 4.3.2R(4)).

For *UK consolidation group* reporting, this will be that part of their *consolidated credit risk requirement* included in data element 77A calculated under:

(a) the relevant parts of *BIPRU* 4; or
(b) the corresponding rules of another *EEA* regulator (when this is allowed under *BIPRU* 8).

It should not include any amount calculated using the rules of a non-*EEA* regulator. It will be after any consolidation adjustments for inter-group transactions.

This will agree to data element 23A on FSA004.

**83A Under advanced IRB approach**

The part of the *credit risk capital component* under *BIPRU* ~~3~~ 4 calculated in accordance with a firm's IRB permission to use the advanced IRB approach ~~and *BIPRU* 4~~. This figure covers the following exposure classes:

- central governments and central banks (*BIPRU* 4.3.2R(1));
- institutions (*BIPRU* 4.3.2R(2)); and
- corporates (*BIPRU* 4.3.2R(3)).

For *UK consolidation group* reporting, this will be that part of their *consolidated credit risk requirement* included in data element 77A calculated under:

(a) the relevant parts of *BIPRU* 4; or
(b) the corresponding rules of another *EEA* regulator (when this is allowed under *BIPRU* 8).

It should not include any amount calculated using the rules of a non-*EEA* regulator. It will be after any consolidation adjustments for inter-group transactions.

This will agree to data element 28A on FSA004.

[*CEBS' CA 2.1.2.2 minus retail*]

### 84A Other IRB exposure classes

The part of the *credit risk capital component* under *BIPRU* ~~3~~ 4 calculated in accordance with a firm's IRB permission to use the IRB approach ~~and *BIPRU* 4~~. This figure covers the following exposure classes:

- equity claims (*BIPRU* 4.3.2R (5));
- securitisation positions (*BIPRU* 4.3.2R (6)); and
- non credit-obligation assets (*BIPRU* 4.3.2R (7)).

For *UK consolidation group* reporting, this will be that part of their *consolidated credit risk requirement* included in data element 77A calculated under:

(a) the relevant parts of *BIPRU* 4; or
(b) the corresponding rules of another *EEA* regulator (when this is allowed under *BIPRU* 8).

It should not include any amount calculated using the rules of a non-*EEA* regulator. It will be after any consolidation adjustments for inter-group transactions.

This will agree to data element 33A on FSA004.

[*CEBS'CA 2.1.2.3 plus 2.1.2.4 plus 2.1.2.5*]

### 85A Total operational risk capital requirement

This is only relevant for *UK banks, building societies* and *full scope BIPRU investment firms*. It is also relevant for any *BIPRU limited activity firm* or *BIPRU limited licence firm* that has a waiver under *BIPRU* 6.1.2G (to apply an *ORCR* rather than a fixed overheads requirement).

See *BIPRU* 6.

A *full scope BIPRU investment firm* that meets the conditions set out in *BIPRU* TP 5.1R should enter here the full *ORCR* that would have applied but for *BIPRU* TP 5.7R. The reduction as a result of that rule should be reported in data element 90A.

A further breakdown of this figure is provided in FSA007 for firms on the standardised approach, alternative standardised approach or the advanced ~~models~~ measurement approach.

For *UK consolidation group* reporting, this is the *consolidated operational risk requirement*. This will be the sum of data elements 86A, 87A, 88A and 89A, but is subject to the restrictions in *BIPRU* 8 on combining certain methods of calculating *operational risk* capital requirements.

[*CEBS' CA 2.4*]

**86A Operational risk ~~calculated by aggregation~~ for UK consolidation group reporting calculated under non-EEA rules**

This is only relevant for *UK consolidation groups* ~~completing data element 89A, and then only if they calculate their *operational risk capital requirement* under *BIPRU* 8.7.13R(2)~~.

The only amount to be included here is the part (if any) of their *consolidated operational risk requirement* calculated (when this is allowed under *BIPRU* 8) using the rules of a non-*EEA* regulator.

If the *UK consolidation group* consists wholly of firms authorised and incorporated in the *EEA*, this data element will not be applicable.

**87A Operational risk basic indicator approach**

This is only relevant for those firms completing data element 85A.

See *BIPRU* 6.3.

For *UK consolidation group* reporting, this will be that part of their *consolidated operational risk requirement* calculated under:

(a) the relevant parts of *BIPRU* 6; or
(b) the corresponding rules of another *EEA* regulator (when this is allowed under *BIPRU* 8).

It should not include any amount calculated using the rules of a non-*EEA* regulator. It will be after any consolidation adjustments for inter-group transactions.

[*CEBS' CA 2.4.1*]

**88A Operational risk standardised/alternative standardised approach**

This is only relevant for those firms completing data element 85A.

See *BIPRU* 6.4.

For *UK consolidation group* reporting, this will be that part of their *consolidated operational risk requirement* calculated under:

(a) the relevant parts of *BIPRU* 6; or
(b) the corresponding rules of another *EEA* regulator (when this is allowed under *BIPRU* 8).

It should not include any amount calculated using the rules of a non-*EEA* regulator. It will be after any consolidation adjustments for inter-group transactions.

This will agree to data element 15A on FSA007.

[*CEBS' CA 2.4.2*]

**89A Operational risk advanced measurement approaches**

This is only relevant for those firms completing data element 85A.

See *BIPRU* 6.5.

For *UK consolidation group* reporting, this will be that part of their *consolidated operational risk requirement* calculated under:

(a) the relevant parts of *BIPRU* 6; or
(b) the corresponding rules of another *EEA* regulator (when this is allowed under *BIPRU* 8).

It should not include any amount calculated using the rules of a non-*EEA* regulator. It will be after any consolidation adjustments for inter-group transactions.

This will agree to data element 15B on FSA007.

[*CEBS' CA 2.4.3*]

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**93A Total market risk capital requirement**

See *BIPRU* 7 and also *GENPRU* 2.2.46R.

A further breakdown of this figure (less 94A in the case of *UK consolidation group* reports) is provided in FSA005 for firms that meet the reporting thresholds defined in *SUP* 16.12.5R (note 4), *SUP* 16.12.11R (note 4), *SUP* 16.12.15R (note 4), *SUP* ~~16.12.22R~~ 16.12.22AR (note 4) and *SUP* ~~16.12.25R~~ 16.12.25AR (note 4).

For *UK consolidation group* reporting, this is the *consolidated market risk requirement*. This will be the sum of data elements 94A, 95A and 102A.

[*CEBS' CA 2.3*]

**94A Market risk capital requirement ~~calculated by aggregation~~ for UK consolidation group reporting calculated under non-EEA rules**

This is only relevant for *UK consolidation groups*~~, and then only if they calculate their *market risk capital component* under *BIPRU* 8.7.13R(2)~~.

The only amount to be included here is the part (if any) of their *consolidated market risk requirement* calculated (when this is allowed under *BIPRU* 8) using the rules of a non-*EEA* regulator.

If the *UK consolidation group* consists wholly of firms authorised and incorporated in the *EEA*, this data element will not be applicable.

**95A Position, foreign exchange and commodity risks under TSA**

See *BIPRU* 7.

For *UK consolidation group* reporting, this will be that part of their *consolidated market risk requirement* calculated under the standardised approaches under:

(a) the relevant parts of *BIPRU* 7; or
(b) the corresponding rules of another *EEA* regulator (when this is allowed under *BIPRU* 8).

It should not include any amount calculated using the rules of a non-*EEA* regulator. It will be after any consolidation adjustments for inter-group transactions.

[*CEBS' CA 2.3.1*]

**96A Interest rate PRR**

See *BIPRU* ~~7.1.7R~~ 7.1.9R to *BIPRU* ~~7.1.13E~~ 7.1.16E, *BIPRU* 7.2, *BIPRU* 7.3, *BIPRU* 7.6, *BIPRU* 7.9, *BIPRU* 7.11.12R and *BIPRU* 7.11.35R.

For *UK consolidation group* reporting, this will be that part of their *consolidated market risk requirement* calculated under the standardised approaches under:

(a) the relevant parts of *BIPRU* 7; or
(b) the corresponding rules of another *EEA* regulator (when this is allowed under *BIPRU* 8).

It should not include any amount calculated using the rules of a non-*EEA* regulator. It will be after any consolidation adjustments for inter-group transactions.

This will agree with data element 18G on FSA005.

**97A Equity PRR**

See *BIPRU* ~~7.1.7R~~ 7.1.9R to *BIPRU* ~~7.1.13E~~ 7.1.16E, *BIPRU* 7.3.48R ~~and *BIPRU* 7.3.49G~~, *BIPRU* 7.6, *BIPRU* 7.9, *BIPRU* 7.11.12R and *BIPRU* 7.11.35R.

For *UK consolidation group* reporting, this will be that part of their *consolidated market risk requirement* calculated under the standardised approaches under:

(a) the relevant parts of *BIPRU* 7; or
(b) the corresponding rules of another *EEA* regulator (when this is allowed under *BIPRU* 8).

It should not include any amount calculated using the rules of a non-*EEA* regulator. It will be after any consolidation adjustments for inter-group transactions.

This will agree with data element 29G on FSA005.

[*CEBS' CA 2.3.1.2*]

**98A Commodity PRR**

See *BIPRU* ~~7.1.7R~~ 7.1.9R to *BIPRU* ~~7.1.13E~~ 7.1.16E, *BIPRU* 7.4 and *BIPRU* 7.9.

For *UK consolidation group* reporting, this will be that part of their *consolidated market risk requirement* calculated under the standardised approaches under:

(a) the relevant parts of *BIPRU* 7; or
(b) the corresponding rules of another *EEA* regulator (when this is allowed under *BIPRU* 8).

It should not include any amount calculated using the rules of a non-*EEA* regulator. It will be after any consolidation adjustments for inter-group transactions.

This will agree with data element 40G on FSA005.

[*CEBS' CA 2.3.1.4*]

**99A Foreign currency PRR**

See *BIPRU* ~~7.1.7R~~ 7.1.9R to *BIPRU* ~~7.1.13E~~ 7.1.16E, *BIPRU* 7.5, *BIPRU* 7.6 and *BIPRU* 7.9.

For *UK consolidation group* reporting, this will be that part of their *consolidated market risk requirement* calculated under the standardised approaches under:

(a) the relevant parts of *BIPRU* 7; or
(b) the corresponding rules of another *EEA* regulator (when this is allowed under *BIPRU* 8).

It should not include any amount calculated using the rules of a non-*EEA* regulator. It will be after any consolidation adjustments for inter-group transactions.

This will agree with data element 48G on FSA005.

[*CEBS' CA 2.3.1.3*]

**100A CIU PRR**

See *BIPRU* ~~7.1.7R~~ 7.1.9R to *BIPRU* ~~7.1.13E~~ 7.1.16E, *BIPRU* 7.6, *BIPRU* 7.7 and *BIPRU* 7.9.

For *UK consolidation group* reporting, this will be that part of their *consolidated market risk requirement* calculated under the standardised approaches under:

(a) the relevant parts of *BIPRU* 7; or
(b) the corresponding rules of another *EEA* regulator (when this is allowed under *BIPRU* 8).

It should not include any amount calculated using the rules of a non-*EEA* regulator. It will be after any consolidation adjustments for inter-group transactions.

This will agree with data element 55G on FSA005.

**101A Other PRR**

See *BIPRU* ~~7.1.7R~~ 7.1.9R to *BIPRU* ~~7.1.13E~~ 7.1.16E.

For *UK consolidation group* reporting, this will be that part of their *consolidated market risk requirement* calculated under the standardised approaches under:

(a) the relevant parts of *BIPRU* 7; or
(b) the corresponding rules of another *EEA* regulator (when this is allowed under *BIPRU* 8).

It should not include any amount calculated using the rules of a non-*EEA* regulator. It will be after any consolidation adjustments for inter-group transactions.

This will agree with data element 56G on FSA005.

**102A Position, foreign exchange and commodity risks under internal models**

See *BIPRU* 7.10.

For *UK consolidation group* reporting, this will be that part of their *consolidated market risk requirement* calculated under the advanced approaches under:

(a) the relevant parts of *BIPRU* 7; or
(b) the rules of another *EEA* regulator (when this is allowed under *BIPRU* 8).

It should not include any amount calculated using the rules of a non-*EEA* regulator. It will be after any consolidation adjustments for inter-group transactions.

This will agree with data element 61G on FSA005.

[*CEBS' CA 2.3.2*]

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**106A Surplus/deficit of own funds**

This is 15A less 70A or, where 69A is greater than 70A, 57A less 69A.

This should be a positive figure, showing the amount of excess capital over that required for the variable capital requirement measured at the reporting date or the amount of excess capital over that required for the *base capital resources requirement* where it is greater than the variable capital requirement, as well as any requirements.

~~[*CEBS' CA 3.2*]~~

…

**107A Overall solvency ratio**

This is 15A divided by 70A, multiplied by 100 (or 57A divided by 69A where 69A is greater than 70A) and represents the firm's overall solvency.

~~[*CEBS' CA 3.2.a*]~~

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**142A Capital Planning Buffer**

Enter the amount of the *capital planning buffer* that the *FSA* considers the *firm* should hold. This amount can be determined from information provided in the most recent letter the firm has received from the *FSA* setting out the amount and quality of the *capital planning buffer* the *firm* should hold over and above the level of capital recommended as its ICG (as described in *BIPRU* 2.2.12BG).

If no *capital planning buffer* has been set, *firms* should enter 0 here.

**143A Draw Down of Capital Planning Buffer**

Enter the cumulative amount of *capital planning buffer* which the *firm* has used up to and including the current regulatory reporting period.

An entry into this cell does not constitute notice as set out in *BIPRU* 2.2.23G. As set out in *BIPRU* 2.2.23AG, the *FSA* may separately ask a *firm* to continue reporting on the use of its *capital planning buffer* over and above the reporting requirements set out in *SUP* 16 Annex 24R.

If no amount of the *capital planning buffer* has been used, *firms* should enter 0 here.

**144A Surplus/(deficit) total capital over ICG and capital planning buffer**

This is the amount in data element 15A (total capital resources) less the amount in data element 108A (individual capital guidance – total capital resources) and less the amount in data element 142A (capital planning buffer). However, if no *ICG* has been set and data element 108A is 0, this should also be 0.

**<u>145A Surplus/(deficit) general purpose capital over ICG and capital planning buffer</u>**

<u>This is the amount in data element 57A (total tier one capital plus tier two capital after deductions) less the amount in data element 109A (individual capital guidance – general purpose capital) and less the amount in data element 142A (capital planning buffer). However, if no ICG has been set and data element 109A is 0, this should also be 0.</u>

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**FSA004 – Credit risk**

This data item provides details of the credit risk capital requirements of firms reported in FSA003.

For *UK consolidation groups*, the figures reported should exclude any ~~credit risk capital requirement~~ <u>part of the *consolidated credit risk requirement*</u> that has been calculated using ~~aggregation under *BIPRU* 8.7.13R(2)~~ <u>the rules of a non-*EEA* regulator</u>.

<u>It will be after any consolidation adjustments for inter-group transactions.</u>

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**FSA005 – Market risk**

This data item provides the FSA with information on the market risk capital requirement under *GENPRU* 2.1.40R. The data item is intended to reflect the underlying prudential requirements contained in *GENPRU* and *BIPRU* and allows monitoring against the requirements set out there and also those individual requirements placed on firms. We have provided references to the underlying rules to assist in its completion.

For *UK consolidation groups*, the figures reported should exclude any ~~market risk capital requirement~~ <u>part of the *consolidated market risk requirement*</u> that has been calculated using ~~aggregation under *BIPRU* 8.7.13R(2)~~ <u>the rules of a non-*EEA* regulator</u>.

<u>It will be after any consolidation adjustments for inter-group transactions.</u>

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**FSA007 – Operational risk**

This data item provides the FSA with information on the operational risk facing a firm. It is intended to reflect the underlying prudential requirements contained in *BIPRU* and allows monitoring against the requirements set out there. We have provided references to the underlying rules to assist in its completion.

This data item is based on CEBS' COREP Table OPR, OPR Details, and OPR LOSS Details[1], but reflects the ~~Rules~~ <u>rules</u> and wording in the Handbook, and omits items which are not in our view relevant in the UK. The numbers in parenthesis and italics show the

[1] www.c-ebs.org/documents/GL04_OR.xls

corresponding item(s) in CEBS' Table OPR, OPR Details or OPR LOSS Details and are only provided for information purposes to identify the linkage to the CEBS' data.

For *UK consolidation groups*, the figures reported should exclude any part of the *consolidated operational risk requirement* that has been calculated using the rules of a non-*EEA* regulator.

It will be after any consolidation adjustments for inter-group transactions.

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**FSA015 – Sectoral information, including arrears and impairment**

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**Definitions**

Coverage

Only assets held in the banking book at amortised cost, including overdrafts, should be included in FSA015. Derivatives, trading book exposures and intragroup exposures should be excluded. In addition, as FSA015 relates mainly to loans and similar financial assets, other asset types likely to be excluded are those covered by FSA001, *data elements* 11-19, e.g. intangible assets, fixed assets and prepayments. Also, in general we would not expect trade debtors to be included unless the debts are treated as loans or advances in the statutory annual accounts.

All relevant assets should be included in columns A and H, even where the accounts have no associated arrears or impairments.

**Column A: "All balances (customer) outstanding at period end"**

This is the amount of total debt owed by the customer at the reporting date, and should comprise the total amount outstanding (after deducting any write-offs but without deduction for any provisions or impairments) in respect of:

(i) the principal of the ~~advance~~ debt (including any further advances made);

(ii) interest ~~accrued~~ due on the ~~advance~~ debt (but only up to the reporting date), including any interest suspended; do not include interest accrued but not yet payable unless it would not be reasonably practicable for the *firm* to separately identify and exclude such accrued interest; and

…

In the case of (ii) above, where a *firm* at first includes accrued interest as it is not reasonably practicable not to do so but subsequently is able to do so, the *FSA* would expect to be notified of this change of approach under *Principle* 11 (Relation with regulators).

The information in respect of balances to be reported in this column should not be fair-valued but should report the contractual position (i.e. between the lender and borrower).

The treatment of loan assets that are being operated as part of a current account offset mortgage product (or similar products where *deposit* funding is offset against loan balances in arriving at a net interest cost on the account) will depend on the conditions pertaining to the ~~mortgage~~ product. The balance outstanding on such loans will need to be reported on the basis of the contractually defined balance according to the terms of the ~~mortgage~~ product. This might be the amount of loan excluding any offsetting funds, or it might be the net amount, depending upon the terms of the offset arrangement.

The appropriate rows of column A should be completed for all the categories to which the *firm* has an exposure even if there are no associated arrears.

It is not expected that these figures in this column will necessarily reconcile to any of the *firm's* published statutory data or on other *data items*, as the valuation basis is likely to differ.

**Columns B–G, rows 1-11: "Balances of accounts in arrears/default by band"**

…

The analysis is based on ~~working out~~ expressing the amount of arrears and/or the amount past due on each loan as a percentage of the balance outstanding on the loan (calculated in the same way as for column A) and then reporting the total balance of the account in the relevant arrears band~~, providing details of cases moving up into more serious arrears bands in the quarter (or half year in the case of a *UK consolidation group*), and giving information on loan performance during the quarter or half year~~. ~~(~~In cases where there is more than one loan to a debtor (or debtors) secured on a single property, these should be amalgamated, where possible, in reporting ~~details of arrears cases.)~~ with balances allocated to the row representing the predominant part of the debt outstanding.

Arrears and amounts past due will arise through the borrower failing to service any element of his debt obligation to the *firm*, including capital, interest, or fees, fines, administrative charges, default interest or insurance premiums.

At the reporting date, for loan accounts the amount ~~of~~ in arrears or past due is the difference between:

(i) the accumulated total amounts of (monthly or other periodic) payments due to be received from the borrower; and

…

Only amounts which are contractually due at the reporting date should be included in the above. That is:

(i) include ~~accrued~~ interest and amounts due for payments only up to the reporting date but not beyond, do not include interest accrued but not yet payable (unless this would not be reasonably practicable, see under Column A, paragraph (ii) above);

…

~~Where a 'capitalisation' case that has at one time been correctly removed as fully performing but at some later time defaults, then this should be treated as a new default and the amount of arrears taken as that arising from this new default. That is, the previously capitalised arrears should not be reinstated as current arrears.~~ The decision to 'capitalise' arrears (or treat as if capitalised) is a business decision between the *firm* and the borrower. By 'capitalisation' we mean a formal arrangement agreed with the borrower to add all or part of a borrower's arrears to the amount of outstanding principal (i.e. advance of principal including further advances less capital repayments received during the period of the loan) and then treating that amount of overall debt as the enlarged principal. This enlarged principal is then used as the basis for calculating future monthly payments over the remaining term of the loan. Where less than the full amount of arrears is capitalised (or indeed where none of the arrears is capitalised) then, providing there are arrangements made for the borrower to repay the non-capitalised arrears over a shorter period ranging for example from 3 to 18 months, this type of arrangement should also be regarded as an equivalent of 'capitalisation'.

~~The decision to 'capitalise' (or treat as if capitalised) is a business decision between the *firm* and the borrower. However for~~ For the purposes of consistency in reporting arrears cases the following reporting criteria should be used where a *firm* has capitalised the loan (or treated as if capitalised) and reset the monthly payment:

(i) such an arrears case should continue to be included as an arrears case until the loan has been 'fully performing' (see (ii) below) for a period of six consecutive months (any temporary increase in arrears during this qualifying period has the effect of requiring six consecutive months of ~~fully performing~~ full performance after such an event). Until that time ~~it~~ the balance of the loan should be included in the table and be allocated to the arrears band applicable at each reporting date as if 'capitalisation' had not taken place;

(ii) …

Where a 'capitalisation' case becomes fully performing but later the borrower defaults again, this subsequent default should be regarded as a new default and the amount of arrears should be the amount arising from this new default. That is, the previously capitalised arrears should not be reinstated as current arrears.

For **overdrafts,** the amount to be treated as in arrears or past due is:

(i) any amount borrowed and/or outstanding in excess of the overdraft limit for that account (whether explicitly agreed with the borrower or otherwise);

(ii) the whole amount of any balance outstanding (regardless of whether within the overdraft limit or not) where no credit has been received into the account in the previous 90 days; and

(iii) the whole amount of any balance outstanding (regardless of whether within the overdraft limit or not) where the *firm* has determined that a default has occurred and/or where an impairment or provision charge has been raised and/or where formal demand for repayment has been made.

All amounts to include interest and fees and/or other charges. Do not include interest accrued but not yet payable.

For **credit cards** (and equivalent revolving credit facilities) the amount to be treated as in arrears or past due is:

(i) any amount outstanding above the agreed card limit (as advised to the customer);

(ii) any amount of the minimum monthly payments due which has not been met by credits to the account (on a cumulative basis, where the latest credit is applied to extinguish the earliest minimum payment due);

(iii) the whole amount of any balance outstanding (regardless of whether within limit or not) where no credit has been received to the account in the previous 90 days; and

(iv) the whole amount of any balance outstanding (regardless of whether within limit or not) where the *firm* has determined that a default has occurred and/or where an impairment or provision charge has been raised) and/or where formal demand for repayment has been made.

All amounts to include interest and fees and other charges. Do not include interest accrued but not yet payable.

…

**Column B rows 12-26**

Include here the ~~amount of any payments that~~ balance of all accounts where a counterparty has failed to make payments when they were contractually due.

…

For overdrafts and other revolving credit facilities**,** the amount to be treated as in arrears and/or past due is:

(i) any amount borrowed and/or outstanding in excess of the overdraft limit for that account (whether explicitly agreed with the borrower or otherwise);

(ii) the whole amount of any balance outstanding (regardless of whether within limit or not) where no credit has been received to the account in the previous 90 days; and

(iii) the whole amount of any balance outstanding (regardless of whether within limit or not) where the firm has determined that a default has occurred and/or where an impairment or provision charge has been raised) and/or where formal demand for repayment has been made.

All amounts to include interest and fees and other charges due but not paid (unless incorporated in a balance that is within the agreed limit). Do not include interest accrued but not yet payable.

**Column C rows 12-26**

Past due: ‘o/w impaired’ is shorthand for ‘of which impaired’. The terms ‘impaired’ and ‘impairment’ here, and in other places in FSA015, should be consistent with that used in the *firm’s* statutory Annual Accounts. Where the firm’s accounts are compiled under UK GAAP the terms should be equated to ‘general provisions’ and ‘specific provisions’.

Include here the ~~amount by which~~ balances of any *exposures* in column B which are also deemed to be impaired.

…

If impaired exposures are reported in column C, we would usually expect the balances to be reported in column N or, where applicable, column P.

**Column D rows 12-26**

‘Other impaired’ refers to impaired *exposures* which have no past due element.

…

**Column E rows 12-26**

For unsecured *exposures* and partially secured *exposures* (where the collateral held does not cover the entire *exposure*) enter ~~Enter~~ the total gross value, before deduction of impairment charges, of *exposures* ~~against~~ which ~~impairment charges have been made~~ have been classified as impaired (i.e. included in columns C and D) and for which either ~~where~~ no collateral is held or where collateral is held but is insufficient to cover the entire *exposure*. ~~against the *exposure*; i.e. report~~ Report here loans which are included in columns C and D because they are impaired, reporting the ~~amount of the loan which is unsecured. Report the unsecured amount of the loan, irrespective of the impaired amount~~ balance owed, less the realisable value of the security held, for each loan.

For fully secured lending (rows 13 and 17) we would usually expect a nil value in column E, unless it is known that the current realisable value of the security shows a shortfall. Where such a loan is subsequently restructured, it should be reclassified to the row appropriate for the security cover at that point.

**Column B rows 27-31**

Include here any *exposures* where payments have not been made on the date due and are now overdue and where there is little prospect for recovery of principal or interest.

**Column C rows 27-31**

Include here the amount ~~by which~~ of any other *exposures* which, whilst not in default, are deemed to be impaired.

**Column D rows 27-31**

Include here the Mark-to-market value of any impaired *exposures* included in columns B and C.

**Column H: All balances (accounting) at period end**

This is the total value of the on balance sheet *exposures* in each category, valued in line with the *firm's* accounting policies. However, there will not necessarily be a direct reconciliation between column H and the firm’s statutory published Balance Sheet, nor between column H and FSA001, as FSA015 does not include all asset classes (and excludes trading book assets).

…

**Columns J-M**

The reference to ‘in periods’ at columns J to M is a reference to the amount of write-offs or impairment charges since the last reported FSA015.

In completing column J there may be a difference to accounting convention as write-offs should be reported as a positive figure. On FSA015 a negative number will be taken to indicate a write-back. Similarly for columns K and L, where an impairment charge is being put though the income statement it should be reported as a positive amount. A negative number will indicate the release of an impairment charge (reduction in provision).

**Column J: Write-offs net of recoveries**

Enter the net amount written off during the period, after any recoveries of exposures previously written off.

The figure reported here should only relate to the amount of write-offs net of recoveries made since the last reporting period end date (i.e. in the latest quarter or half-year). Unlike the data reported on the Income Statement (FSA002) it is not a cumulative figure for the financial year to date.

**Columns K and L: Charge/credit to the Income statement (P&L)**

The figure reported in column K should only relate to the amount of new individual impairments or specific provisions charged to the income statement since the last reporting period end date (i.e. in the latest quarter or half-year). The figure reported in column L should only relate to the amount of new collective impairments or general provisions charged to the income statement since the last reporting period end date (i.e. in the latest quarter or half-year). Unlike the data reported on the FSA Income Statement (FSA002) it is not a cumulative figure for the financial year to date.

~~Enter the net charge or credit to the income statement (profit & loss account) in respect of impairment charges during the period.~~ A net credit should be shown with a minus sign (not brackets). The gross charge for new impairment charges should be offset by other items including any charges made in earlier periods but now released. The charge or credit for individual impairment charges should include the charge or credit for provisions in respect of suspended interest where it is the practice of the reporting institution to show suspended interest as interest receivable in the income statement (profit and loss account).

**Column M: Other Adjustments**

….

This includes any adjustments made as a result of an acquisition or disposal of…sign (not brackets).

The figure reported here should only relate to the amount of other adjustments since the last reporting period end date (i.e. in the latest quarter or half-year). Unlike the data reported on FSA Income Statement (FSA002) it is not a cumulative figure for the financial year to date.

**Column N: individual impairment balance or specific provisions**

Enter the total value of individual impairment balances.

Note that if all of the *firm's* provisions relate to accounts included in this *data item* this would be the total value of the individual impairment balance or provisions as detailed on the *firm*'s financial balance sheet. If some of the impairments or provisions relate to accounts that are not included in this *data item* then this will not be the case.

In most cases we would expect that, for the current period, for each line item, the following would be true: (N+P for the previous period) – J + (K+L+M) (where J, K, L & M are for the current period) is approximately equal to (N+P for the current period).

Individual impairment balances or specific provisions are those generated following the impairment assessment of a loan on a standalone basis.

**Column P: collective impairment balance or general provision**

Enter the total value of collective impairment balances.

Note that if all of the *firm's* provisions relate to accounts included in this *data item* this would be the total value of the collective impairment balance as detailed on the *firm's* financial balance sheet. If some of the provisions relate to accounts that are not included in this *data item* then this will not be the case.

Collective impairment balances or general provisions are those generated following the impairment assessment of a group of loans.

**Columns L and P: collective impairments**

Collective impairment charges should be applied at portfolio or product level and should be allocated to the most appropriate category for that portfolio or product.

**Column Q: balances of loans with individual impairment**

Include the total balance of any *exposures* ~~against which there is an individual impairment charge~~ that are judged to be impaired. This should be gross of impairment provisions but net of write-offs as per the statutory annual accounts. Loans which have been tested for impairments, but which are not classed as impaired, should not be included.

…

**Retail sector**

This section comprises all *Retail exposures*, including exposures to *retail SME*. Note that loans should only be reclassified between "partially secured" and "fully secured" where there has been a formal revaluation exercise carried out by the *firm* of the specific security held, i.e. excluding revaluations conducted for the purposes of re-indexing for capital calculation purposes.

...

**Corporate sector**

This section comprises all *corporate exposures* that are not included in retail SME. This should include *exposures* to and/or balances with non consolidated group companies as well as third parties. It should exclude securities which are included in lines 27 – 30. Where a *firm* holds securities but cannot distinguish between quoted and unquoted securities these should also be reported as debt instruments (lines 27 – 30).

**12 UK commercial real estate (secured and unsecured)**

This will typically include any *exposures* defined by Basel as "Claims secured by commercial real estate" or "Income-producing real estate", or lending where the counterparty has been allocated to SIC code ~~70~~ 68 or 41.1 and the lending is done in the UK. These SIC codes include exposures to social housing companies. Exposures included here are those that are linked to the commercial nature of the borrower rather than the type of real estate held as security.

…

**16 Non-UK commercial real estate**

This will typically include any *exposures* defined by Basel as "exposures secured by commercial real estate" or "Income-producing real estate", or lending where the counterparty has been allocated to SIC code ~~70~~ 68 or 41.1 and the lending is done outside the UK.

**Financial sector**

This section comprises all *exposures* to the *financial sector*.

**21 Exposures to UK financial institutions, credit institutions and insurance companies**

Include *exposures* to all UK financial institutions, credit institutions (including banks) and insurance companies.

This line should include, for example, cash on deposit with UK financial institutions, money market deposits with UK banks and UK bank securities excluding securities which are included in lines 27 – 30 below.

**22 Exposures to non-UK financial institutions, credit institutions and insurance companies**

Include exposures to all non-UK financial institutions, credit institutions (including banks) and insurance companies.

This line should include, for example, cash on deposit with non-UK financial institutions, money market deposits with non-UK banks and non-UK bank securities excluding securities which are included in lines 27 – 30 below.

**Non-financial institutions (including government)**

~~All~~ Include all other *exposures* other than those defined above or debt instruments in the banking book.

**Debt instruments (banking book)**

Any debt instruments that are:

(i) quoted on any investment exchange; or

(ii) CDOs; or

(iii) government gilts or Treasury Bills;

and held in the banking book, regardless of the issuer type, should be reported in lines 27 – 30 and not elsewhere.

**27 UK collateralised debt obligations**

Include here all CDOs issued by UK companies. CDOs are a type of asset-backed security whose value and payments are derived from a portfolio of fixed-income underlying assets.

**28 Other UK asset backed securities**

~~Comprises holding~~ Include holdings of all other *asset backed securities*, except CDOs, issued by UK entities.

**29 Other UK securities**

~~Comprises holding~~ Include holdings of all other securities, except those listed above, issued by UK entities. Include here also gilts and Treasury bills issued by the UK government.

Exposures to equities are not included in FSA015 and need not be reported.

**30 Other non-UK securities**

~~Comprise~~ Include holdings of any securities issued by non-UK companies including non-UK CDOs and non-UK *asset backed securities*. Also include here non-UK government securities.

Debt instruments should be classified according to the domicile or geographical location of the issuer.

….