



**COUNCIL OF
THE EUROPEAN UNION**

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CORRIGENDUM TO NOTE

from: Secretariat
to: Delegations
No. Cion prop.: 13284/11 EF 112 ECOFIN 531 CODEC 1284 + ADD1, ADD2
Subject: Revised capital requirements rules (CRD IV) **[First Reading]**
- Proposal for a Regulation of the European Parliament and of the Council on
prudential requirements for credit institutions and investment firms
= *text of the political agreement*

The following corrections have to be made to the text of the draft Regulation:

1. On page 373, in Article 148(1) the following point shall be added:

"(iii) if $PD \in]0\%;100\%[$, i.e., for any value other than under (i) or (ii)

$$RW = \left(LGD \cdot N \left(\frac{1}{\sqrt{1-R}} \cdot G(PD) + \sqrt{\frac{R}{1-R}} \cdot G(0.999) \right) - LGD \cdot PD \right) \cdot \frac{1 + (M - 2.5) \cdot b}{1 - 1.5 \cdot b} \cdot 12.5 \cdot 1.06$$

where

$N(x)$ = the cumulative distribution function for a standard normal random variable (i.e. the probability that a normal random variable with mean zero and variance of one is less than or equal to x);

$G(Z)$ = denotes the inverse cumulative distribution function for a standard normal random variable (i.e. the value x such that $N(x) = z$)

R = denotes the coefficient of correlation, is defined as

$$R = 0.12 \cdot \frac{1 - e^{-50 \cdot PD}}{1 - e^{-50}} + 0.24 \cdot \left(1 - \frac{1 - e^{-50 \cdot PD}}{1 - e^{-50}} \right)$$

b = the maturity adjustment factor, which is defined as

$$b = (0.11852 - 0.05478 \cdot \ln(PD))^2$$

2. On page 1185, the following Article shall be inserted:

"Article 473a

Own funds requirements for exposures to CCPs

1. Up until 15 months after the date of entry into force of the latest of the eleven regulatory technical standards referred to at the end of the first subparagraph of Article 89(3) of Regulation (EU) 648/2012, or until a decision is made under Article 14 of that regulation on the authorisation of the CCP, whichever date is earlier, an institution may consider that CCP to be a QCCP, provided that the condition laid down in the first part of that subparagraph has been met.

2. Up until 15 months after the date of entry into force of the latest of the ten regulatory technical standards referred to at the end of the second subparagraph of Article 89(3) of Regulation (EU) 648/2012, or until a decision is made under Article 25 of that regulation on the recognition of the CCP established in a third country, whichever date is earlier, an institution may consider that CCP to be a QCCP,
 - 2a. The Commission may adopt an implementing act under Article 5 of Regulation (EU) No 182/2011 to extending the transitional provisions in paragraphs 1 and 2 by a further 6 months, in exceptional circumstances where it is necessary and proportionate to avoid disruption to international financial markets.
3. Up until the deadlines defined in paragraphs 1 and 2, as applicable, where a CCP does not have a default fund and it does not have in place a binding arrangement with its clearing members that allows it to use all or part of the initial margin received from its clearing members as if they were pre-funded contributions, an institution shall substitute the right formula for calculating the own funds requirement (K_i) in Article 298a(2) with the following one:

$$K_i = \left(1 + \beta \cdot \frac{N}{N-2} \right) \cdot \frac{IM_i}{IM} \cdot K_{CM}$$

where

IM_i = the initial margin posted to the CCP by clearing member i

IM = the total amount of initial margin communicated to the institution by the CCP;"