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From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
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To:	Mr Uwe CORSEPIUS, Secretary-General of the Council of the European Union
No. Cion doc.:	C(2014) 7117 final ANNEX 1
Subject:	ANNEX COMMISSION DELEGATED REGULATION (EU) No .../.. supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards for the specification of the methodology for the identification of global systemically important institutions and for the definition of subcategories of global systemically important institutions

Delegations will find attached document C(2014) 7117 final ANNEX 1.

Encl.: C(2014) 7117 final ANNEX 1



EUROPEAN
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ANNEX 1

ANNEX

COMMISSION DELEGATED REGULATION (EU) No .../..

supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards for the specification of the methodology for the identification of global systemically important institutions and for the definition of subcategories of global systemically important institutions

Annex

For the purposes of Article 6, the indicators shall be determined as follows:

1. Total Exposure

The total exposure shall be the aggregate of total on-balance sheet items and of total derivative and off-balance sheet items, on a consolidated basis, including entities consolidated for accounting purposes but not for risk-based regulatory purposes, less regulatory adjustments.

The total exposure shall follow the accounting measure of exposure (however, using the broader scope of consolidation) subject to the following principles:

- On-balance sheet, non-derivative exposures are included in the exposure measure net of specific provisions and valuation adjustments (for example credit valuation adjustments);
- Netting of loans and deposits shall not be allowed;
- Physical or financial collateral, guarantees or credit risk mitigation purchased shall not reduce on-balance sheet exposures.

On-balance sheet items shall be the aggregate of the following:

- (a) counterparty exposure of derivatives contracts;
- (b) gross value of securities financing transactions (SFTs);
- (c) counterparty exposure of SFTs;
- (d) the maximum of (i) other assets less securities received in SFTs that are recognised as assets and (ii) zero.

Off-balance sheet items shall be the aggregate of the following:

- (a) potential future exposure of derivative contracts;
- (b) notional amount of off-balance sheet items with a 0% Credit Conversion Factor (CCF), less 100% of unconditionally cancellable credit card commitments, less 100% of other unconditionally cancellable commitments;
- (c) 10% of unconditionally cancellable credit card commitments;
- (d) 10% of other unconditionally cancellable commitments;
- (e) notional amount of off-balance sheet items with a 20% CCF;
- (f) notional amount of off-balance sheet items with a 50% CCF;
- (g) notional amount of off-balance sheet items with a 100% CCF.

For entities consolidated for accounting purposes but not for risk-based regulatory purposes the indicator value shall be increased by the aggregate of the following:

- (a) on-balance sheet assets;
- (b) potential future exposure of derivatives contracts;
- (c) 10% of unconditionally cancellable commitments;
- (d) other off-balance sheet commitments;
- (e) less investment value in the consolidated entities.

2. Interconnectedness

For the purpose of the interconnectedness indicators, financial institutions shall be defined as including banks and other deposit-taking institutions, bank holding companies, securities dealers, insurance companies, mutual funds, hedge funds, pension funds, investment banks, and central counterparties (CCPs). Central banks and other public sector bodies (for example multilateral development banks) shall be excluded, but state-owned commercial banks shall be included.

2.1. Intra Financial System Assets

Intra Financial System Assets shall be the aggregate of funds deposited with or lent to other financial institutions and undrawn committed lines extended to other financial institutions, holdings of securities issued by other financial institutions, the net positive current exposure of securities financing transactions and Over-the-counter (OTC) derivatives with other financial institutions that have a net positive fair value.

- (a) Funds deposited or lent to other financial institutions and undrawn committed lines

Funds deposited or lent to other financial institutions and undrawn committed lines shall be the aggregate of the following:

- (1) Funds deposited with or lent to other financial institutions, including certificates of deposit;
- (2) Undrawn committed lines extended to other financial institutions.

- (b) Holdings of securities issued by other financial institutions

This item shall reflect all holdings of securities issued by other financial institutions. Total holdings shall be counted at fair value for securities classified as held-for-trading and available-for-sale; held-to-maturity securities shall be counted at amortized cost.

Holdings of securities issued by other financial institutions shall be the aggregate of the following:

- (1) Secured debt securities;

- (2) Senior unsecured debt securities;
- (3) Subordinated debt securities;
- (4) Commercial paper;
- (5) the maximum of stock, including par and surplus of common and preferred shares, less offsetting short positions in relation to the specific stock holdings and zero.

(c) Securities Financing Transactions

Securities Financing Transactions shall be the aggregate of net positive current exposure of securities financing transactions with other financial institutions.

The reported value shall not be intended to reflect amounts recorded on the balance sheet. It shall represent the single legally owed amount per netting set. Netting shall only be used where the transactions are covered by a legally enforceable netting agreement. Where these criteria are not met, the gross balance sheet amount shall be counted. Conduit lending transactions shall not be included.

(d) Over-the-counter (OTC) derivatives with other financial institutions that have a net positive fair value

Over-the-counter (OTC) derivatives with other financial institutions that have a net positive fair value shall be the aggregate of the following:

- (1) Net positive fair value, including collateral held where it is within the master netting agreement;
- (2) Potential future exposure.

2.2. Intra Financial System Liabilities

Total intra financial system liabilities shall be the aggregate of deposits by financial institutions, securities financing transactions and OTC derivatives with other financial institutions that have a net negative fair value.

(a) Deposits by financial institutions

Deposits by financial institutions shall be the aggregate of the following:

- (1) Deposits due to depository institutions;
- (2) Deposits due to non-depository financial institutions;
- (3) Undrawn committed lines obtained from other financial institutions.

(b) Securities Financing Transactions

Securities Financing Transactions shall be the aggregate of net negative current exposure of securities financing transactions with other financial institutions.

- (c) OTC derivatives with other financial institutions that have a net negative fair value

OTC derivatives with other financial institutions that have a net negative fair value shall be the aggregate of the following:

- (1) Net negative fair value, including collateral provided if it is within the master netting agreement;
- (2) Potential future exposure.

2.3. Securities Outstanding

The indicator shall reflect the book value of outstanding securities issued by the relevant entity. Intra-financial and other activity shall not be distinguished.

Total securities outstanding shall be the aggregate of the following:

- (a) Secured debt securities;
- (b) Senior unsecured debt securities;
- (c) Subordinated debt securities;
- (d) Commercial paper;
- (e) Certificates of deposit;
- (f) Common equity;
- (g) Preferred shares and any other forms of subordinated funding not referred to in point (c).

3. Substitutability of the services or of the financial infrastructure provided by the group

3.1. Payments Activity

The total payment activity shall be payments made in the reporting year excluding intragroup payments.

The relevant payment value shall be the total gross value of all cash payments sent by the reporting group via large value funds transfer systems, along with the gross value of all cash payments sent through an agent bank (for example using a correspondent or nostro account). Cash payments made on behalf of the relevant entity as well as those made on behalf of customers, including financial institutions and other commercial customers, shall be included. Payments made through retail payment systems shall not be included. Only outgoing payments shall be included. The value shall be calculated in Euro.

3.2. Assets Under Custody

The value of Assets under Custody shall be the value of all assets, including cross-border assets, which the reporting group held as a custodian on behalf of customers, including financial institutions other than the reporting group. Any assets under management or assets under administration which are not also classified as assets under custody shall not be included.

3.3. Underwritten Transactions in Debt and Equity Markets

The total underwritten transactions in debt and equity markets shall be the aggregate of equity underwriting activity and debt underwriting activity.

All underwriting where the bank is obligated to purchase unsold securities shall be included. When the underwriting is on a best-efforts basis (which shall mean that the bank is not obligated to purchase the remaining inventory), only the securities that were actually sold shall be included.

4. Complexity of the group

4.1. Notional Amount of Over-the-Counter (OTC) Derivatives

This indicator shall measure the scope of the reporting group's engagement in OTC derivatives transactions and shall include all types of risk categories and instruments. Collateral shall not be deducted when reporting the notional derivative values.

The total notional amount of OTC Derivatives shall be the aggregate of OTC derivatives cleared through a central counterparty and OTC derivatives settled bilaterally.

4.2. Level 3 Assets

The value of Level 3 Assets shall be the value of all assets that are priced on a recurring basis using Level 3 measurement inputs.

4.3. Trading and Available-for-Sale Securities

The Trading and Available-for-Sale Securities shall be the total amount of securities in the held-for-trading and available-for-sale accounting categories less the subset of securities held in those categories that are eligible for classification as high quality liquid assets.

5. Cross border activity of the group

5.1. Cross-Jurisdictional Claims

The value of Cross-Jurisdictional Claims shall be the value of all claims over all sectors that, on an ultimate-risk basis, are cross-border claims, local claims of foreign affiliates in foreign currency, or local claims of foreign affiliates in local currency, excluding derivatives activity. Cross-border claims shall extend from an office in one country to a borrower in another country. Local claims of foreign affiliates in foreign and local currency shall extend from the local office of the bank to borrowers in that location.

Cross-Jurisdictional Liabilities

5.2.

Total cross-jurisdictional liabilities shall be the aggregate of the following, less any foreign liabilities to related offices referred to in point (b):

- (a) Local liabilities in local currency;
- (b) Foreign liabilities (excluding local liabilities in local currency).