REPORTING GUIDE FOR CREDIT RISK UNDER GUIDELINES ON RISK WEIGHTED ASSETS

1.0 General Instructions

1.1 This reporting guidance is applicable to Labuan banks licensed under part VI of the Labuan Financial Services and Securities Act 2010 (LFSSA) adopting the standardised approach for credit risk under the *Guidelines on Risk Weighted Assets*.

1.2 Labuan banks are required to complete the relevant forms in the softcopy format as provided by Labuan Financial Services Authority (Labuan FSA) on a quarterly basis for both entity and consolidated reporting. The reporting forms have to be submitted no later than 15 days after the quarter-end reporting date.

1.3 The cells are shaded to denote the requirement/function of the cell.

i. All cells shaded in yellow must be filled. Where not relevant, a value of ‘0’ shall be keyed-in.

ii. Cells shaded in green have been pre-programmed with formulae.

iii. Cells shaded in blue refer to other cell from different tab.

1.4 All amounts are to be reported and rounded up to the nearest US Dollar (USD). For credit risk standardised approach capital adequacy computation, exposures are the assets and contingent assets as defined under the applicable Financial Reporting Standards, net of specific provisions.

1.5 Labuan FSA places significant emphasis on the quality of information submitted for the purpose of Banking Capital Adequacy Framework. In this regard, the Principal Officer of the Labuan bank is responsible and will be held accountable for the quality of the information submitted in all reporting forms to Labuan FSA under this framework.

2.0 Components of the Reporting Forms for Credit Risk

2.1 The reporting forms are divided into two major components:

	Title	Form	Tab
1	General information	• Form CR-03: (RWA.CR) Risk-Weighted Asset Equivalent and Capital Requirement • Form CRi-01: (RWA.CRi) Risk-Weighted Asset Equivalent and Capital Requirement	• CR-03 • CRi-01
2	Standardised Approach for Credit Risk (Conventional and Islamic Window Operations[1])	• Form CR-04: (CE): Exposures Subject to Credit Risk • Form CRi-02: (CEi) Exposures Subject to Credit Risk	• CR-04 • CRi-02
		• Form CR-05: (CRM.1): Credit Risk Mitigation (Simple Approach) • Form CRi-03: (CRM.1i) Credit Risk Mitigation (Simple Approach)	• CR-05 • CRi-03
		• Form CR-06: (CRM.2) Credit Risk Mitigation (Comprehensive Approach) • Form CRi-04: (CRM.2i) Credit Risk Mitigation (Comprehensive Approach)	• CR-06 • CRi-04
		• Form CR-07: (RWA) Risk-Weighted Asset Computation • Form CRi-05: (RWAi) Risk-Weighted Asset Computation	• CR-07 • CRi-05
		• Form CR-08: (SEC - Summary) Summary of Risk-Weighted Amount & Capital Deductions for Securitisation Exposures	• CR-08

1 Include Islamic window operations outside of Labuan (if any) for entity reporting.

	Title	Form	Tab
		• Form CRi-06: (SECi - Summary) Summary of Risk-Weighted Amount & Capital Deductions for Securitisation Exposures	• CRi-06
		• Form CR-09: (SEC - On BS) On-Balance Sheet Risk-Weighted Asset Equivalent for Securitisation Exposures • Form CRi-07: (SECi - On BS) On-Balance Sheet Risk Weighted Asset Equivalent for Securitisation Exposures	• CR-09 • CRi-07
		• Form CR-10: (SEC - Off BS) Off-Balance Sheet Risk Securitisation Exposures • Form CRi-08: (SECi - Off-BS) Off-Balance Sheet Risk Securitisation Exposures	• CR-10 • CRi-08
		• Form CR-11: (SEC - Qualitative) Qualitative Disclosure of Exposures to Securitisation Transaction • Form CRi-09: (SECi - Qualitative) Qualitative Disclosure of Exposures to Securitisation Transaction	• CR-11 • CR-12 • CR-13 • CRi-09 • CRi-10 • CRi-11
		• Form CR-14: (FT) Risk-Weighted Asset Disclosure for Failed Trades • Form CRi-12: (FTi) Risk-Weighted Asset Disclosure for Failed Trades	• CR-14 • CRi-12
		• Form CR-15: (UT) Counterparty Risk Requirement • Form CRi-13: (UTi) Counterparty Risk Requirement	• CR-15 • CRi-13
		• Form CR-16 : (OBS) Off-Balance Sheet Disclosure • Form CRi-14: (OBSi) Off-Balance Sheet Disclosure	• CR-16 • CRi-14
		• Form CR-17: (CD) Counterparty Exposures-Derivative Contracts • Form CRi-15: (CDi) Counterparty Exposures-Derivative Contracts	• CR-17 • CR-18 • CRi-15 • CRi-16

	Title	Form	Tab
		• Form CR-19: (Recon) Reconciliation to Consolidated Balance Sheet	• CR-19 • CR-20 • CR-21
		• Form CR-22: (LTV) Loan-to-Value Disclosure	CR-22
		• Form CRi-17: (PSIA1) Credit Risk Amount Absorbed by PSIA by Exposure Class	CRi-17
		• Form CRi-18: (PSIA2) Credit Risk Amount Absorbed by PSIA by Islamic Contract	CRi-18
		• Form CRi-19: (CONTRACT1) Credit RWA by Islamic Contract	CRi-19
		• Form CRi-20: (CONTRACT2) Credit Exposures by Islamic Contract	CRi-20

3.0 General Information

FORM G.1(RWCR): OVERALL CAPITAL ADEQUACY RATIO

FORM G.2(CS): CAPITAL STRUCTURE

3.1 The capital ratios computation in these forms will now be computed in corresponding forms issued with the *Guidelines on Capital Components*.

FORM CR-03: (RWA.CR) AND FORM CRi.01 (RWA.CRi): RISK-WEIGHTED ASSET AND CAPITAL REQUIREMENT

3.2 This form reports the summary of the pre and post effect of credit risk mitigation (CRM) on Labuan bank's exposures, the RWA and capital requirements computed using the standardised approach for credit risks.

4.0 Standardised Approach for Credit Risk (Conventional and Islamic Window Operations)

FORM CR-04 (CE) AND FORM CRi-02 (CEi): EXPOSURES SUBJECT TO CREDIT RISK

4.1 This form reports all on- and off-balance sheet exposures of a Labuan bank gross of any CRM and on-balance sheet netting effects that are subject to the credit risk capital requirements.

4.2 The off-balance sheet items are translated into an on-balance sheet equivalent (CE) by multiplying the nominal principal amount with a CCF prescribed by Labuan FSA.

4.3 In certain cases, credit exposures arising from derivative contracts may already be reflected on-balance sheet. For example, Labuan banks may have recorded current credit exposures to counterparties (i.e. mark to market values) under foreign exchange and interest rate related contracts on the balance sheet as 'other assets' or 'sundry debtors'. To avoid double counting, such exposures should be excluded from the on-balance sheet exposures and treated as off-balance sheet exposures for the purpose of this form.

FORM CR-05 (CRM.1) AND FORM CRi-03 (CRM.1i): CREDIT RISK MITIGATION (CRM) UNDER THE SIMPLE APPROACH (CONVENTIONAL AND ISLAMIC WINDOW OPERATIONS)

4.4 This form reports the performing and defaulted exposures of a Labuan bank that are eligible for on-balance sheet netting and CRM, resulting in capital relief under the Simple Approach[2].

4.5 However, Labuan banks are only allowed to use the Comprehensive Approach for exposures in the 'Islamic window operations' that are collateralised by eligible physical assets. This is subject to all the requirements set in **Appendix XI** of the Guidelines on Risk Weighted Assets being met.

[2] i.e. using the substitution approach.

4.6 Labuan banks are required to report the following items:

- ‘Exposures before CRM’ includes on-balance sheet exposures and CE of off-balance sheet exposures, net of specific provisions computed before CRM or any on-balance sheet netting effects.

  ‘Amount Eligible for On-Balance Sheet Netting’ includes exposures that meet the netting requirements in the Guidelines on Risk Weighted Assets.

Labuan banks have to allocate ‘Total Exposure after Netting’ into either:

- ‘Exposures eligible for CRM under the Substitution Approach’. These are exposures that are protected by CRM, such as guarantees, derivatives or financial collateral using the substitution approach. Exposures not covered by any form of CRM should also be included in this column; or
- ‘Exposures eligible for CRM under the Comprehensive Approach’. This should only consist of exposures in the Islamic window operations which are collateralised by eligible physical assets.

CRM using the Substitution Approach

4.7 Labuan banks should report the following:

- The amount of ‘Guarantees by Eligible Guarantors’, ‘Credit Derivatives’, as well as Eligible Financial Collateral, such as, ‘Cash’, ‘Gold’, ‘Debt Securities’, ‘Equities (Main Index only)’ and ‘Unit Trust/Mutual Funds (Main Index only)’. For financial collateral, the value of credit protection is its market value.

- Risk-weighted Exposure:
  - ‘RWA of Exposures covered by CRM’. The RWA is derived by multiplying the exposures covered by CRM with the risk weight

appropriate to the credit protection. However, where the credit protection for a basket of exposures is a first to default or second to default derivative contract, the method under paragraphs 2.151 to 2.158 of the Guidelines on Risk Weighted Assets shall apply.

- 'RWA of Exposures not covered by CRM'. The RWA is derived by multiplying the uncovered exposure with the risk weights of the original counterparty or the appropriate risk weight for defaulted exposures.

CRM using the Comprehensive Approach (Islamic Window Operations)

4.8 Labuan banks should report the following:

- 'Exposures eligible for CRM under the Comprehensive Approach'. These are collateralised exposures after taking into account netting effects but before CRM effects using the comprehensive approach. These exposures in the Islamic window operations are secured wholly or partially by eligible physical assets. These exposures should be reported before any adjustments for CRM.

- 'Eligible physical assets'. The amount of physical assets should be reported based on the fair value (i.e., based on the requirements set in **Appendix XI** of the Guidelines on Risk Weighted Assets) before the standard haircut.

- 'Eligible physical assets after haircut'. The value reported shall be the value of 'Eligible physical assets' after the standard haircut of 30%.

- Risk-weighted Exposure Amount:

    - 'RWA of exposures not covered by CRM'. The RWA is derived by multiplying the uncovered exposure with the risk weights of the original counterparty or the appropriate risk weight for defaulted exposures.

4.9 The amounts of CRM used are subjected to the appropriate volatility adjustments, haircuts on collateral and maturity adjustments, where applicable.

4.10 For the purpose of this reporting form, Labuan banks should ensure that the effects of over collateralisation for an exposure should not be used as CRM for the benefit other exposures.

FORM CR-06 (CRM.2) AND FORM CRi-04 (CRM.2i): CREDIT RISK MITIGATION (CRM) UNDER THE COMPREHENSIVE APPROACH

4.11 This form reports the performing and defaulted exposures of a Labuan bank that are eligible for on-balance sheet netting and CRM, resulting in capital relief under the Comprehensive Approach.

4.12 Labuan banks are required to report the following items:

- 'Exposures before CRM' Exposures are reported net of specific provisions but before and CRM or on-balance sheet netting effects.

- 'Amount Eligible for On-Balance Sheet Netting' which allows for calculation of capital requirements on the basis of net credit exposures. Labuan banks are only allowed to use on-balance sheet netting when all the requirements in paragraphs 2.131 to 2.134 of the Guidelines on Risk Weighted Assets have been met.

- Labuan banks have to allocate 'Total Exposure after Netting' into either:

    - 'Exposures eligible for CRM under the Substitution Approach'. These are non-collateralised exposures covered by CRM, such as guarantees or derivatives using the substitution approach. Exposures not covered by any form of CRM should also be included in this column; or

- ‘Exposures eligible for CRM under the Comprehensive Approach’. These consist of exposures collateralised by eligible financial collateral. It also includes exposures in the Islamic window operations which are collateralised by eligible physical assets.

CRM using the Substitution Approach

4.13 Labuan banks should report the following:

- The amount of ‘Guarantees by Eligible Guarantors’ and ‘Credit Derivatives’.

- Risk-weighted Exposure Amount (Non Collateralised Exposure):

  - ‘RWA of Exposures covered by CRM’. The RWA is derived by multiplying the covered portion of the exposure with the risk weight of the CRM. However, where the credit protection for a basket of exposures is a first to default or second to default derivative contract, the method under paragraphs 2.151 to 2.158 of the Guidelines on Risk Weighted Assets shall apply.
  - ‘RWA of Exposure not covered by CRM’. The RWA is derived by multiplying the uncovered exposure with the risk weights of the original counterparty or the appropriate risk weight for defaulted exposures.

CRM using the Comprehensive Approach

4.14 The following should also be reported:

- ‘Exposures eligible for CRM under the Comprehensive Approach’. These are collateralised exposures after taking into account netting effects but before CRM effects using the comprehensive approach.

- ‘Exposure after Volatility Adjustment’. This is the value of exposure after taking into account the standard supervisory haircuts appropriate to the exposure as described under the Comprehensive Approach of the Guidelines on Risk Weighted Assets. Volatility adjustments are only made for exposures covered wholly or partially by financial collateral. Volatility adjustments are not required for exposures collateralised by eligible Physical Assets.

- ‘Eligible Financial Collateral after Haircuts’. These are ‘Cash’, ‘Gold’, ‘Debt Securities’, ‘Equities’ and ‘Unit Trust and Mutual Funds’ after standard supervisory haircuts as described under paragraphs 2.117 to 2.129 of the Guidelines on Risk Weighted Assets.

- ‘Eligible physical assets after haircut’. The value of physical assets should be reported based on its fair value (i.e. based on the requirements set in **Appendix XI** of the Guidelines on Risk Weighted Assets) and discounted using the standard haircut of 30%.

- Risk-weighted Exposure Amount (Collateralised Exposure):

    - ‘RWA of Exposures not covered by CRM’. The RWA is derived by multiplying the uncovered exposure with the risk weights of the original counterparty or the appropriate risk weight for defaulted exposures.

4.15 The amounts of CRM used are subjected to the appropriate volatility adjustments, haircuts on collateral and maturity adjustments, where applicable.

4.16 For the purpose of this reporting form, Labuan banks should ensure that the effects of over collateralisation for an exposure should not be used as CRM for the benefit other exposures.

FORM CR-07 (RWA) AND FORM CRi-05 (RWAi): RISK-WEIGHTED ASSETS COMPUTATION

4.17 This form reports the breakdown of RWA according to each exposure class after taking into account CRM effects. Each exposure class is segregated into either 'performing' or 'defaulted' categories with the exception of 'equity exposures'.

4.18 All 'exposures after netting and CRM' should be reported according to the appropriate exposure class and risk weights set out in this form. The exposure amount is then multiplied by the appropriate risk weight to compute the RWA. This is illustrated by the two examples below:

Example 1

Loan of USD1,000,000 with 5 years residual maturity to an unrated corporate. The loan is secured by debt securities issued by a bank and rated AA by a recognised ECAI with a remaining maturity of 7 years. The securities are subject to daily revaluation and have a market value of USD1,500,000.

Solution (Simple approach)

Obligor's risk weight (RW)	Financial Collateral's RW
100%	20%

Using the risk weight of the financial collateral as per the substitution approach, the RWA:

RWA = 1,000,000 × 20%

= **USD200,000**

The exposure of USD1,000,000 should be reported as a 'performing' exposure under the 'corporate' exposure class with a risk weight of 20%. This will result in a RWA of USD200,000.

Example 2

Loan of USD1,000,000 to BBB-rated corporate. Half of the amount of the loan is secured by a AAA-rated MGS with a residual maturity of less than one year.

Solution (Comprehensive approach)

Variables	Supervisory haircut
He	No haircut applied as exposure is in the form of cash
Hc	0.02
Hfx	No currency mismatch

Adjusted exposure (E*)	=	Max {0, [E × (1 + He) – C × (1 – Hc - Hfx)]}
	=	[1,000,000 × (1 + 0) – 500,000 × (1 – 0.02 – 0)]
	=	USD510,000
RWA	=	USD510,000 × 100%
	=	**USD 510,000**

The exposure of USD 510,000 should be reported as a performing exposure under the 'corporate' exposure class with a risk weight of 100%. This will result in a RWA of USD 510,000.

4.19 Investment in equity of non-financial commercial subsidiaries shall be reported as part of the 'Other Assets' category.

FORM CR-08 (SEC-Summary) AND FORM CRi-06 (SECi-Summary): SUMMARY OF RISK-WEIGHTED AMOUNT & CAPITAL DEDUCTIONS FOR SECURITISATION EXPOSURES

4.20 This form summarises the RWA and deduction in the calculation of CET1 Capital for increase in equity capital resulting from securitisation transactions. This form is fully automated.

FORM CR-09 (SEC - On BS) AND FORM CRi-07 (SECi - On BS): ON-BALANCE SHEET RISK-WEIGHTED ASSET EQUIVALENT FOR SECURITISATION EXPOSURES

4.21 This form reports the breakdown of RWA for on-balance sheet securitisation exposures taking into account CRM effects. The exposures are segregated by exposures arising from traditional and synthetic securitisations, and by non-originating and originating Labuan banks.

4.22 On-balance sheet securitisation exposures where guarantees and credit derivatives have been employed for CRM purposes should continue to be reported on this form and risk-weighted according to the risk weights of the protection provider. For securitisation exposures where other forms of risk mitigants have been employed (i.e. collateralised transactions and on-balance sheet netting), only the net exposure amount should be reported on this form.

FORM CR-10 (SEC – Off BS) AND FORM CRi-08 (SECi – Off BS):
OFF BALANCE SHEET RISK SECURITISATION EXPOSURES

4.23 This form reports the breakdown of RWA for off-balance sheet securitisation exposures taking into account CRM effects. The exposures are segregated by exposures arising from traditional and synthetic securitisations, and by non-originating and originating banking institutions. The calculation of the capital requirement for early amortisation provisions are also reported in this form.

4.24 All ‘net exposure after CRM’ should be reported according to the appropriate risk weights set out in this form. The exposure amount is then multiplied by the appropriate risk weight to compute the RWA.

4.25 Off-balance sheet securitisation exposures where guarantees and credit derivatives have been employed for CRM purposes should continue to be reported on this form and risk-weighted according to the risk weights of the protection provider. For securitisation exposures where other forms of risk mitigants have been employed (i.e. collateralised transactions and on-balance sheet netting), only the net exposure amount should be reported on this form.

4.26 For unrated exposures that are eligible for the application of the ‘look- through approach’ as specified in the Guidelines on Risk Weighted Assets, Labuan banks are required to report the exposures in the appropriate range of risk weight columns and compute the resultant RWA for each risk weight range.

4.27 For unrated eligible liquidity facilities, exposures should be risk- weighted by applying the highest risk weight assigned to any of the underlying individual exposures covered by the facility.

4.28 For the early amortisation provision, Labuan banks are required to first calculate the capital requirement according to the Guidelines on Risk Weighted Assets to arrive at the exposure amount for the item ‘Early amortisation provision‘. If the maximum capital requirement of is met, Labuan banks may reduce the actual early amortisation requirement by the amount reported in ‘Adjustment for early amortisation’ (which represents the difference between RWA required for the retained securitisation exposures and the capital requirement that would apply had the exposures not been securitised).

FORM CR-11 (SEC – Qualitative) AND FORM CRi-09 (SECi – Qualitative): QUALITATIVE DISCLOSURE OF EXPOSURES TO SECURITISATION TRANSACTION

4.29 This form reports detailed information of securitisation transactions that a Labuan bank is exposed to as an originating banking institution, non-originating banking institution or acting as a sponsor.

4.30 The format of this form is free flow whereby Labuan banks are allowed to add extra rows to fill in the tables provided.

FORM CR-14 (FT) AND FORM CRi-12 (FTi): RISK-WEIGHTED ASSET DISCLOSURE FOR FAILED TRADES

4.31 This form reports the number of failed trades and the equivalent RWA. Unsettled or failed securities, commodities and foreign exchange transactions shall be subject to capital charges as specified in **Appendix IX** of the Guidelines on Risk Weighted Assets.

4.32 For failed 'delivery versus payment' (DvP) trades, Labuan banks are required to report the number of failed trades in column 1. The value of such failed trades or 'positive current exposure' should be reported in column 2. The standard risk multipliers are set out in column 3, resulting in corresponding RWA in column 4.

4.33 For failed non-DvP trades (or free deliveries), Labuan banks are required to report the number of failed trades in column 1. For failed non-DvP trades, the current positive exposure of the receivable amount should be reported in column 2. The amount of the exposure should be reported under the class to which the counterparty belongs and risk-weighted at the risk weight applicable to that counterparty. The standard risk weights are set out in column 3 which will result in corresponding RWA in column 4.

4.34 The RWA resulting from failed trades shall be reported as part of ‘Other Assets’ in form CR-07 (RWA): ‘Risk-Weighted Assets Computation’ / form CRi-05 (RWAi): ‘Risk-weighted Asset Computation (Islamic Window Operations).

FORM CR-15 (UT) AND FORM CRi-13 (UTi): COUNTERPARTY RISK REQUIREMENT

4.35 This form discloses the market value of unsettled trades and its counterparty risk requirements (CRR). It aims to measure the amount necessary to accommodate a given level of a counterparty risk (the risk of a counterparty defaulting on its financial obligation to Labuan FSA) specifically for unsettled trades (unsettled agency purchase/sale or an unsettled principal sale/purchase) and free deliveries with respect to Labuan bank’s equity business. The CRR capital charge (listed in **Appendix IX** of the Guidelines of Risk Weighted Assets) will be multiplied by a factor of 12.5 to arrive at the CRR RWA amount.

FORM CR-16 (OBS) AND FORM CRi-14: (OBSi): OFF-BALANCE SHEET DISCLOSURE

4.36 This form reports the principal amount of off-balance sheet exposures, CE and RWA after CRM.

4.37 The RWA of all off-balance sheet items (except for OTC and credit derivative contracts) is determined as follows:

- The CE amount of an off-balance sheet item is determined by multiplying the off-balance sheet exposure by the appropriate CCF.
- The CE amount of an off-balance sheet item is treated like an on- balance sheet exposure and assigned to the appropriate risk category according to the counterparty or where applicable, the guarantor or the collateral.

4.38 Where an exposure is fully or partially covered by a recognised CRM, the calculation is similar to that of an on-balance sheet exposure, using either the simple or comprehensive approach.

4.39 Where OTC and credit derivative contracts are covered by a valid bilateral netting agreement, the Labuan bank may report them on a net basis. These exposures are linked to reporting form CR-17 (CD): 'Counterparty Exposures-Derivative Contracts'.

FORM CR-17 (CD) AND FORM CRi-15 (CDi): COUNTERPARTY EXPOSURES - DERIVATIVE CONTRACTS

4.40 This form reports the principal amount, CE amount and risk weights for derivative contracts.

4.41 Labuan banks should use the 'current exposure method' in **Appendix VIII** of the Guidelines of Risk Weighted Assets to calculate the CE amount for counterparties under OTC and credit derivative contracts. Individual OTC derivative transactions and individual credit derivative transactions should be reported under this worksheet . Where OTC derivative transactions and credit derivative contracts are covered by a valid bilateral netting agreement, they should be reported on a net basis.

4.42 The principal amount, CE amount and risk-weighted amounts are linked to Form CR-16 (OBS):'Off Balance Sheet Disclosure'.

FORM CR-19 (Recon): RECONCILIATION TO BALANCE SHEET

4.43 To ensure the integrity of the capital adequacy ratios calculation, this form aims to reconcile the total assets in the balance sheet to total assets used by the Labuan bank to determine the RWA.

4.44 Total Assets in the consolidated balance sheet for accounting purposes indicated as "A" in the form is reconciled to the Labuan bank's 'Total Assets used for risk weighting' purposes, indicated as "B" in the form. Adjustments are made to avoid double counting e.g. assets held for trading and subjected to market risk capital framework.

4.45 Labuan banks are required to report all the reconciliation items provided in this form. For other reconciliation items, Labuan banks are required to provide additional disclosures and their breakdown by adding new rows in the form, as allowed.

FORM CR-22 (LTV): LOAN-TO-VALUE DISCLOSURE

4.46 The information in this form is for surveillance purposes only. This form reports Labuan bank's exposures to residential mortgages based on its respective loan-to-value (LTV)[3] ratios.

4.47 Labuan banks are required to report all residential mortgage loans (both qualifying and non-qualifying) regardless of LTV ratio under the "Residential Mortgages" category in all relevant worksheets, including this worksheet.

4.48 For residential mortgages on abandoned properties, such exposures shall be captured under "High Risk Assets". Labuan banks do not need to capture these exposures in this form.

FORM CRi-17 (PSIA1): CREDIT RISK AMOUNT ABSORBED BY PROFIT SHARING INVESTMENT ACCOUNT (PSIA) BY EXPOSURE CLASS

4.49 This form reports the Islamic window operation's credit exposure amount and RWA by exposure class that is funded by PSIA holders.

4.50 This form also reports the portion of credit RWA that is absorbed by PSIA holders. For this purpose, the recognition and the value of alpha (α) used to derive the amount of credit RWA deduction is subject to the Labuan bank fulfilling the requirements on Investment Account[4].

4.51 Labuan banks are required to fill in the exposure amount and RWA by exposure class that are funded by Specific Investment Account (SIA), General Investment Account (GIA), Profit Equalisation Reserve (PER) of SIA and GIA holders, as well as the value of α.

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3 Also known as financing-to-value (FTV) in the case of Islamic window assets/operations.

4 Any reference to PSIA in this manual and the reporting templates shall refer to Investment Account (IA). Therefore, SIA and GIA would refer to Restricted Investment Account (RA) and Unrestricted Investment Account (UA) accordingly, PER is no longer applicable and alpha (α) value is 'zero'.

FORM CRi-18 (PSIA2): CREDIT RISK AMOUNT ABSORBED BY PROFIT SHARING INVESTMENT ACCOUNT (PSIA) BY ISLAMIC CONTRACT

4.52 This form reports the Islamic window operation's credit exposure amount and RWA by type of Islamic contract that are funded by PSIA holders.

4.53 This form also reports the portion of the credit RWA that is absorbed by PSIA holders. For this purpose, the recognition and the value of α used to derive the amount of credit RWA deduction is subject to the Labuan bank fulfilling the requirements on Investment Account[5].

4.54 Labuan banks are required to fill in the exposure amount and RWA by Islamic contract that are funded by SIA, GIA, PER of SIA and GIA holders, as well as the value of α.

FORM CRi-19 (CONTRACT1): CREDIT RISK-WEIGHTED AMOUNT BY ISLAMIC CONTRACT

4.55 This form reports the Labuan bank operation's credit RWA by various types of Islamic contracts.

4.56 Labuan banks are required to fill in the credit RWA by type of Islamic contract into the respective exposure class. For different Islamic contracts that do not fall under any of the specified Islamic contract category[6], Labuan banks are required to report the credit RWA under the 'Other Contracts' column.

FORM CRi-20 (CONTRACT2): CREDIT EXPOSURE AMOUNT BY ISLAMIC CONTRACT

4.57 This form reports Labuan bank's credit exposure amount by types of Islamic contracts.

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[5] Refer to footnote 5.

[6] When categorising exposures according to Islamic contract, Labuan bank should focus on the risk structure and exposure of the products, in line with computation of credit RWA under the Guidelines on Risk Weighted Assets. For example, Bai Bithaman Ajil and Bai Inah exposures are categorised in the Murabahah contract.

4.58 Labuan banks are required to fill in the credit exposure amount by type of Islamic contract into the respective exposure class. For different Islamic contracts that do not fall under any of the specified Islamic contract category, Labuan banks are required to report under the credit RWA under the ‘Other Contracts’ column**.**

5.0 Exempted Exposures (Conventional and Islamic Window Operations)

FORM SA-CR (RWA): RISK-WEIGHTED ASSETS COMPUTATION (EXEMPTED EXPOSURES)

5.1 This form is applicable to all exempted exposures and reports the breakdown of RWA according to each exposure class after taking into account CRM effects. Each exposure class is segregated into either performing or defaulted categories with the exception of ‘equity exposures’.

5.2 All ‘exposures after netting and CRM’ should be reported according to the appropriate exposure class and risk weights set out in this form. The exposure amount is then multiplied by the appropriate risk weight to compute the RWA. This is illustrated by the two examples below:

Example 1

Loan of USD1,000,000 with 5 years residual maturity to an unrated corporate. The loan is secured by debt securities issued by a bank and rated AA by a recognised ECAI with a remaining maturity of 7 years. The securities are subject to daily revaluation and have a market value of USD1,500,000.

Solution (Simple approach)

Obligor’s RW	Financial Collateral’s RW
100%	20%

Using the risk weight of the financial collateral as per the substitution approach, the RWA:

RWA = 1,000,000 × 20%
= USD200,000

The exposure of USD1,000,000 should be reported as a ‘performing’ exposure under the ‘corporate’ exposure class with a risk weight of 20%. This will result in a RWA of USD200,000.

Example 2

Loan of USD1,000,000 to BBB-rated corporate. Half of the amount of the loan is secured by a AAA-rated MGS with a residual maturity of less than one year

Solution (Comprehensive approach)

Variables	Supervisory haircut
He	No haircut applied as exposure is in the form of cash
Hc	0.02
Hfx	No currency mismatch

Adjusted exposure (E*)	=	Max {0, [E × (1 + He) – C × (1 – Hc - Hfx)]}
	=	[1,000,000 × (1 + 0) – 500,000 × (1 – 0.02 – 0)]
	=	USD510,000
RWA	=	USD510,000 × 100%
	=	**USD 510,000**

The exposure of USD 510,000 should be reported as a performing exposure under the ‘corporate’ exposure class with a risk weight of 100%. This will result in a RWA of USD 510,000.

5.3 Investment in equity of non-financial commercial subsidiaries shall be reported as part of the ‘Other Assets’ category.

6.0 Securitisation

FORM CR-08 (SEC - Summary) AND FORM CRi-06 (SECi - Summary): SUMMARY OF RISK-WEIGHTED AMOUNT & CAPITAL DEDUCTIONS FOR SECURITISATION EXPOSURES

6.1 This form summarises the RWA and deduction in the calculation of CET1 Capital for increase in equity capital resulting from securitisation transactions. This form is fully automated.

FORM CR-09 (SEC - On BS) AND FORM CRi-07 (SECi - On BS): ON-BALANCE SHEET RISK-WEIGHTED ASSET EQUIVALENT FOR SECURITISATION EXPOSURES

6.2 This form reports the breakdown of RWA for on-balance sheet securitisation exposures taking into account CRM effects. The exposures are segregated by exposures arising from traditional and synthetic securitisation and by non-originating and originating banking institution.

6.3 On-balance sheet securitisation exposures where guarantees and credit derivatives have been employed for CRM purposes should continue to be reported on this form and risk-weighted according to the risk weights of the protection provider. For securitisation exposures where other forms of risk mitigants have been employed (i.e. collateralised transactions and on-balance sheet netting), only the net exposure amount should be reported on this form.

FORM CR-10 (SEC - Off BS)AND FORM CRi-08 (SECi - Off-BS): OFF-BALANCE SHEET RISK SECURITISATION EXPOSURES

6.4 This form reports the breakdown of RWA for off-balance sheet securitisation exposures taking into account CRM effects. The exposures are segregated by exposures arising from traditional and synthetic securitisations, and by non-originating and originating banking institution. The calculation of the capital requirement for early amortisation provisions are also reported in this form.

6.5 All ‘net exposure after CRM’ should be reported according to the appropriate risk weights set out in this form. The exposure amount is then multiplied by the appropriate risk weight to compute the RWA.

6.6 Off-balance sheet securitisation exposures where guarantees and credit derivatives have been employed for CRM purposes should continue to be reported on this form and risk-weighted according to the risk weights of the protection provider. For securitisation exposures where other forms of risk mitigants have been employed (i.e. collateralised transactions and on-balance sheet netting), only the net exposure amount should be reported on this form.

6.7 For unrated exposures that are eligible for the application of the ‘look- through approach’ as specified in the Guidelines on Risk Weighted Assets, Labuan Banks are required to report the exposures in the appropriate range of risk weight columns and compute the resultant RWA for each risk weight range.

6.8 For unrated eligible liquidity facilities, exposures should be risk-weighted by applying the highest risk weight assigned to any of the underlying individual exposures covered by the facility.

6.9 For the early amortisation provision, Labuan banks are required to first calculate the capital requirement according to Guidelines on Risk Weighted Assets to arrive at the exposure amount for the item ‘Early amortisation provision‘. If the maximum capital requirement is met, Labuan banks may reduce the actual early amortisation requirement by the amount reported in ‘Adjustment for early amortisation’ (which represents the difference between RWA required for the retained securitisation exposures and the capital requirement that would apply had the exposures not been securitised).

FORM CR-11 (SEC - Qualitative) AND FORM CRi-09: (SECi - Qualitative): QUALITATIVE DISCLOSURE OF EXPOSURES TO SECURITISATION TRANSACTION

6.10 This form reports detail information of the securitisation transactions that a Labuan bank is exposed to as an originating banking institution, non-originating banking institution or acting as a sponsor.

6.11 The format of this form is free flow whereby Labuan banks are allowed to add extra rows to fill in the tables provided.

7.0 Failed and Unsettled Trades Disclosure (Conventional and Islamic Window Operations)

FORM CR-14 (FT) AND FORM CRi-12 (FTi): RISK-WEIGHTED ASSET DISCLOSURE FOR FAILED TRADES

7.1 This form reports the number of failed trades and the equivalent RWA. Unsettled or failed securities, commodities and foreign exchange transactions shall be subject to capital requirements as specified in **Appendix IX** of the Guidelines on Risk Weighted Assets.

7.2 For failed 'delivery versus payment' (DvP) trades, Labuan banks are required to report the number of failed trades in column 1. The value of such failed trades or 'positive current exposure' should be reported in column 2. The standard risk multipliers are set out in column 3, resulting in corresponding RWA in column 4.

7.3 For failed non-DvP trades (or free deliveries), Labuan banks may assign PDs to counterparties for which they have no other banking book exposure on the basis of the counterparty's external rating. Alternatively, Labuan banks may opt to apply the standardised approach risk weight or a 100% risk weight, subject to the exposures being immaterial.

7.4 For failed non-DvP trades, Labuan banks are required to treat this exposure as a loan and the following should be reported:

- The number of failed trades should be reported in column 1.
- The current positive exposure of the receivable amount should be reported in column 2.
- The RWA of the exposure should be reported in column 4 which should be derived by multiplying the exposure amount in column 2 multiplied by the risk weights.

7.5 The RWA resulting from failed trades shall be also reported as part of 'Other Assets' in form CR-07(RWA):Risk-Weighted Assets Computation (Exempted Exposures).

FORM CR-15 (UT) AND FORM CRi-13 (UTi): COUNTERPARTY RISK REQUIREMENT

7.6 This form discloses the market value of unsettled trades and its CRR. It aims to measure the amount necessary to accommodate a given level of a counterparty risk (the risk of a counterparty defaulting on its financial obligation to the bank) specifically for unsettled trades (unsettled agency purchase/sale or an unsettled principal sale/purchase) and free deliveries with respect to an investment bank's equity business. The CRR capital charge (listed in **Appendix IX** of the Guidelines on Risk Weighted Assets) will be multiplied by a factor of 12.5 to arrive at the CRR RWA amount and reported as other assets in CR-07 (RWA): Risk Weighted Assets Computation (Exempted Exposures).