Counterparty Credit Risk

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South African Reserve Bank

Regulation

- Additions:
  - Stressed Effective Expected Positive Exposure
  - Standardised Credit Valuation Adjustment
  - Advanced Credit Valuation Adjustment
  - Analysis of standardised CVA risk weighted exposure

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Form BA 200

(All amounts to be rounded off to the nearest R'000)

Standardised approach: Counterparty credit risk[1] Analysis of OTC derivative instruments and SFT[2] Based on specified risk weights	Line no.	Current exposure method									Standardised method				
		OTC derivative instruments						SFT[2]			OTC derivative instruments				
		Total notional principal amount	Gross replace-ment cost	Net replace-ment cost	Gross potential future exposure add-on	Net potential future exposure add-on	Collateral value after haircut	Credit exposure value	Collateral value	Netting benefits	Current market value of portfolio	Current market value of collateral	Risk position for transaction	Risk position from collateral	Net absolute risk position after the application of CCFs
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
Total (of items 81 to 85)	80														
0%	81														
20%	82														
50%	83														
100%	84														
150%	85														
Memorandum items:															
Maximum counterparty credit exposure during the month	86														

$$EAD = [(RC + \text{Add-on})] - C_a$$

$$EAD = \beta \cdot \max (CMV\text{-}CMC; \textstyle\sum | \sum RPT - \sum RPC | \times CCF)$$

Comprehensive approach for collateral in Reg 23(8) & 23 (9)

Reporting columns based on the counterparty credit risk methods as specified in Regulation 23 (17) – 23 (19)

Form BA 200 (continued)

(All amounts to be rounded off to the nearest R'000)

Standardised approach: Counterparty credit risk[1]	Line no.	Standardised method			Internal model[3]				Aggregate total across all relevant approaches						
		SFT[2]			OTC derivative instruments		SFT[2]		Adjusted exposure amount		Risk weighted exposure				
Analysis of OTC derivative instruments and SFT[2] Based on specified risk weights		Credit exposure value	Collateral value	Netting benefit	Effective expected positive exposure	Stressed effective expected positive exposure	Effective expected positive exposure	Stressed effective expected positive exposure	OTC derivative instruments	SFT[2]	Default risk		CVA[4,5] risk		Total
											OTC derivative instruments	SFT[2]	Standar dised	Advanced	
		15	16	17	18	19	20	21	22	23	24	25	26	27	28
Total (of items 81 to 85)	80														
0%	81														
20%	82														
50%	83														
100%	84														
150%	85														
Memorandum items: Maximum counterparty credit exposure during the month	86														

Comprehensive approach for collateral in Reg 23(8) & 23 (9)

EAD/ Credit Exposure*

*EAD calculated under Basel II counterparty credit risk methods

Form BA 200 (continued)

(All amounts to be rounded off to the nearest R'000)

Analysis of standardised CVA[1] risk weighted exposure	Line no	Weight	EAD *	Hedging		Standardised CVA[1] risk weighted exposure[2]
				Single name CDS	Index CDS	
Ratings		1	2	3	4	5
AAA	92	0.70%				
AA	93	0.70%				
A	94	0.80%				
BBB	95	1.00%				
BB	96	2.00%				
B	97	3.00%				
CCC	98	10.00%				
Total (of items 92 to 98)	99					

Draft 3: Regulation 23 (15)(f)
Unrated counterparties: Basel II principles – BBB
Starting point: EAD calculated under normal Basel II counterparty credit risk methods (CEM, SM or IMM)

* Adjusted for a discounting factor $(1-\exp(-0.05 \cdot \text{Mind}))/(0.05 \cdot \text{Mind})$

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BA 610

E.4 CREDIT RISK								(All amounts to be rounded off to the nearest '000)
			Adjusted exposure amount[1]		Aggregate total across all releva			
Standardised / IRB approach:							Risk weigh	
Counterparty credit risk[1]					Default risk[3]		CVA[4] risk	
Analysis of OTC derivative instruments and SFT[2]	Line no.	OTC derivative instruments	SFT[2]	OTC derivative instruments	SFT[2]	Standardised	Advanced
Based on specified risk weights			1	2	3	4	5	6
Total	237							

Intra group bank exposures are exempted from the CVA calculation

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Key points:

- Counterparty credit risk section: IRB & SA.

- CVA charge: When the majority of the bank's credit exposure is subject to the IRB approach the bank shall complete the relevant required information specified in items 252 to 281 of the form BA 200, and leave open the relevant columns under the standardised approach.

- Ensure the "Basel II" CCR information is reported correctly.

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Reporting on risk weighted exposures Bilateral trades

Standardised approach/ IRB Approach: Counterparty credit risk[1] Analysis of OTC derivative instruments and SFT[2]	Line no.	Aggregate total across all relevant approaches						
		Adjusted exposure amount		Risk weighted exposure				
				Default risk		Standardised CVA[4,5]	Advanced CVA[4,5]	Total risk weighted exposure
		OTC derivative instruments	SFT[2]	OTC derivative instruments	SFT[2]			
						26	27	28
STA: RW % IRB: PD bands	STA: lines 80 to 85 IRB; lines 252 to 280							

Should include all trades where CVA should be calculated on

Include CVA on bilateral trades

Analysis of central counterparty trade exposure	Line no	Trade exposure	Risk weight	RWA
		1	2	3
Exposures eligible for a 2% risk weight			2%	
Exposures eligible for a 4% risk weight			4%	
Exposures eligible for a bilateral risk weight				
Total central counterparty exposures (total of items (295 to 297)				

Analysis of standardised CVA[1] risk weighted exposure Ratings	Line no	Weight	EAD	Hedging		Standardised CVA[1] risk weighted exposure[2]
				Single name CDS	Index CDS	
		1	2	3	4	5
AAA		0.70%				
AA		0.70%				
A		0.80%				
BBB		1.00%				
BB		2.00%				
B		3.00%				
CCC		10.00%				
Total (of items 287 to 293)						

Include CVA on bilateral trades

Reporting on risk weighted exposures Trade exposure to a non-qualifying CCP

Banks must apply the Standardised Approach for credit risk in the main framework, according to the category of the counterparty, to their trade exposure to a non-qualifying CCP.

Analysis of central counterparty trade exposure	Line no	Trade exposure	Risk weight	RWA
		1	2	3
Exposures eligible for a 2% risk weight			2%	
Exposures eligible for a 4% risk weight			4%	
Exposures eligible for a bilateral risk weight				
Total central counterparty exposures (total of items (295 to 297))				

Should include trade exposure to non-QCCP

Should include RWE to non-QCCP

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Reporting on risk weighted exposures
Total CCR risk weighted Exposure

Standardised approach/ IRB Approach: Counterparty credit risk[1] Analysis of OTC derivative instruments and SFT[2]	Line no.	Aggregate total across all relevant approaches						
		Adjusted exposure amount		Risk weighted exposure				Total risk weighted exposure
				Default risk		Standardised CVA[4,5]	Advanced CVA[4,5]	
		OTC derivative instruments	SFT[2]	OTC derivative instruments	SFT[2]			
		22	23	24	25	26	27	28
STA: RW % IRB: PD bands	STA: lines 80 to 85 IRB; lines 252 to 280							

Analysis of central counterparty trade exposure	Line no	Trade exposure	Risk weight	RWA
		1	2	3
Exposures eligible for a 2% risk weight			2%	
Exposures eligible for a 4% risk weight				
Exposures eligible for a bilateral risk weight				
Total central counterparty exposures (total of items (295 to 297)				

Excluding bilateral trades included in col 1 to 25

Qualifying central counterparty default fund guarantees	Line no	Initial margin collateral posted with the CCP	Prefunded default fund contribution	Trade exposure	RWA
		1	2	3	4
Total	299				

Non-qualifying central counterparty default fund guarantees	Line no	Prefunded default fund contribution	Unfunded default fund contribution	RWA
		1	2	3
Total	301			

Reporting on risk weighted exposures
Total CREDIT risk weighted Exposure

Standardised approach/ IRB Approach: Counterparty credit risk[1] Analysis of OTC derivative instruments and SFT[2]	Line no.	Aggregate total across all relevant approaches						
		Adjusted exposure amount		Risk weighted exposure				
				Default risk		Standardised CVA[4,5]	Advanced CVA[4,5]	Total risk weighted exposure
		OTC derivative instruments	SFT[2]	OTC derivative instruments	SFT[2]			
		22	23	24	25	26	27	28
STA: RW % IRB: PD bands	STA: lines 80 to 85 IRB: lines 252 to 280							

Standardised approach/IRB Approach Summary of on-balance sheet and off-balance sheet credit exposure Asset class	Line no.	Total risk weighted exposure
Corporate exposure (total of items) … … Public sector entities Local government and municipalities Sovereign (including central government and central bank) Banks Securities firms Retail exposure (total of items) … … Securitisation and resecuritisation exposure[7]	STA: Lines 14 to 34 IRB: lines 129 to 156	
Total (of items)		

Includes default risk RWE for CCR

STA: lines 14 to 33 col 16 **plus** Line 80 col 28 **less** line 80 col 24 and 25

IRB: lines 129 to 155 col 10 **plus** Line 280 col 28 **less** line 280 col 24 and 25

Sum of
- RWE per assets classes
- RWE held for CVA and CCPs

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