



## **Guidance on Completion of COREP Templates for MiFID Firms**

### **Template CA - Solvency**

#### **Section 1 - Total Own Funds**

- Capital Contributions – Firms are required to insert capital contributions in row 1.1.1.4 (other Instruments eligible as capital). *It was noted that firms have inserted this in various different rows.*
- Material Losses of the current year - 1.1.2.4a – this row should only be completed if the firm has unaudited losses for the year to-date. (Firms should not include unaudited profits for the year in Row 1.1.2.4a.01.)
- In respect of Partnerships, partners capital should be included in Row 1.1.2.1 (reserves)
- Perpetual Subordinated loans should be included in row 1.2.1.6
- Dated Subordinated loans should be included in row 1.2.2.3
- Row 1.3 T1 & 1.3 T2. The deductions listed in rows 1.3.1 to 1.3.11 should be split 50/50 between row 1.3T1 and 1.3T2, in order to calculate a firm's Total Original Own Funds (Tier 1; which should be noted in row 1.4) and also a firm's "Additional Own Funds" (Tier 2 which should be noted in row 1.5). Firms should ensure that row 1.4 is completed, and also rows 1.5, & 1.6 are completed where relevant.
- Firms should also ensure that they complete row 1.3LE as this is the figure to be used for calculating the firm's capital for large exposures purposes and in certain cases this may be different than the total capital as calculated at Row 1. Similarly for firms who have trading positions, they should complete row 1.6LE.
- For firms that are including Tier 3 in their capital calculations, please ensure that row 1.6.7 is completed to ensure that any excess Tier 3 is not included in the firm's overall capital.

- For firms who have trading positions that result in additional capital charge for large exposures excess, the resulting capital charge should be included in row 2.6.3. *Please note that this is a change from previous guidance to insert in row 1.6.6.*
- For those firms who have adjustments arising from prudential filters in respect of IFRS/FRS requirements covering Dividends any adjustments arising from these should be made to Revenue Reserves row 1.1.2.1. Details should be submitted for any first time adjustments.
- For those firms who have adjustments arising from prudential filters in respect of IFRS/FRS requirements covering Defined Benefit Pension Schemes any adjustments representing an increase in own funds should be inserted in Other Country Specific Original Own Funds row 1.1.4 and included in row 1.1.4.4. Similarly any adjustments resulting in a reduction in own funds should be inserted in Other Country Specific deductions to Original Own Funds row 1.1.5.4 and included in row 1.1.5.4.2. Details should be submitted for first time adjustments.

## **Section 2 - Capital Requirements**

- For firms who have trading operations, there is no requirement to fill out row 2a, 2b, or 2c.
- For firms completing section 2.1 (capital requirements for credit counterparty...) this is only in respect of **non-trading book positions**.
- When a firm inserts a figure into row 2.1.1, firms should provide a breakdown of these figures in 2.1.1.1a and the subsequent rows i.e. 1a.01 to 1a.15. While there are no direct details available on where data should be allocated in these rows, firms should match “Claims on banks and Investment firms” to row 2.1.1.1a.06, “Claims on Corporates to row 2.1.1.1a.07 “ and “Debtors and Other assets” to Row 2.1.1.1a.15.
- Firms should not complete row 2.1.2 unless they have the Financial Regulator’s prior approval for IRB model.

## Capital Requirements for Position, FX and Commodity Risk

- Underwriting Capital Charge: while firms in the previous CAD return reported separately the capital charge in respect of underwriting risk, there is no separate row in the COREP CA templates for this charge, hence for firms who have a underwriting risk capital charge, this should be recorded in either row 2.3.1.1 or 2.3.1.2 depending on the underwriting i.e., if the firm is underwriting an equity, then report in 2.3.1.2, or if underwriting debt instruments then report in row 2.3.1.1.
- FX Risk – Under the CRD directive, (Annex III of 2006/49) a firm is only required to include its FX capital charge if the firm's net FX position exceeds 2% of the firm's own funds. In order to monitor this firms who have FX positions are still required to complete the FX template, but not complete column 10.

## Comments on Other Templates

### MKR SA FX

- As noted above, while firms are exempted from calculating a capital charge if the net FX positions is less than 2% of the firm's total own funds, all firms who have FX positions are still required to complete the MKR SA FX template. Firms who qualify for the exemption are required to complete columns 1, 2, 5, and 6. Please note columns 7 & 8 are not compulsory however firms should leave column 10 blank.
- Firms should ensure in completing the FX templates that the **Gross Positions** figures for all positions held by the firm, including off balance sheet positions, are included in Column 1 & 2. It would seem that most firms seem to be including Net Positions in these columns. This is incorrect as the net positions should be included in Columns 5 & 6. e.g. - Firm has US\$ positions in assets 100 and Liabilities of 80. The figure 100 should be in column 1, the figure 80 in column 2 and the net figure of 20 should be reported in column 5. A similar set of instructions should be used where a template is seeking to differentiate between Gross and Net positions.

## **MKR SA EQU**

- Firms should ensure that the Gross Positions for equity positions are included in Column 1 & 2. Most firms seem to be including Net Positions. This is incorrect as the net positions should be included in Columns 4 & 5.
- The Row “Equities in Trading Book” is not the summation of rows 1 - 6 but only the total equities positions held in trading book.
- Firms should also note that where positions are held in Equity Derivatives, firms should continue to calculate the “Interest Rate Add-on” as required in 4.56 & 4.57 of the previous CAD notice. The resulting figure should be included in the General Risk row.
- Firms who hold positions in Options should also ensure that they continue to calculate the additional capital charge for GAMMA and VEGA Risk as previously required in 4.58 of the previous CAD notice.

## **General Comments**

Firms are reminded that when completing the Profit and Loss and Balance Sheet the figures should be rounded to the nearest Euro 000's.

Also please note when using an exchange rate to use the latest ECB rate.

Firms should be aware that answers to some technical questions in respect of the COREP are available on the CEBS website at: <http://www.c-eps.org/implementationquestions/>