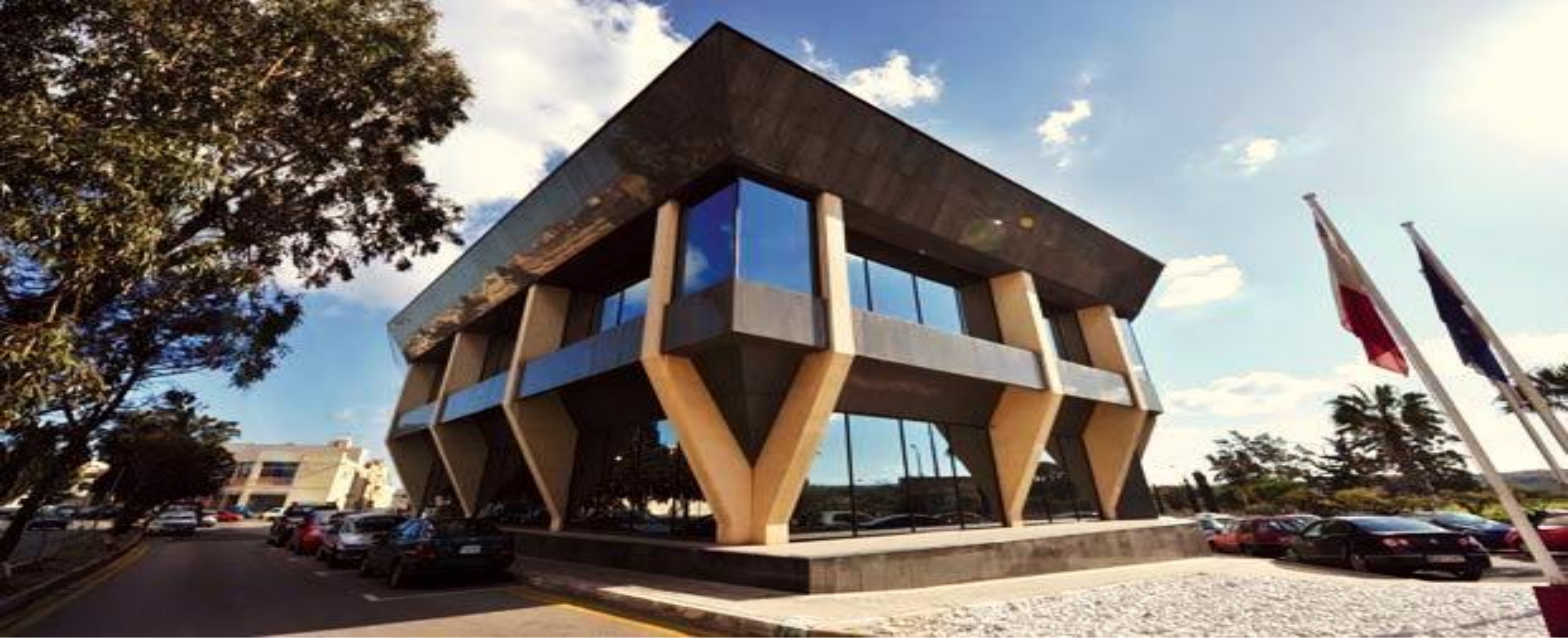

CRD IV Investment Firms: the Common Reporting (COREP) Framework

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MFSA
MALTA FINANCIAL SERVICES AUTHORITY

Agenda

1. Introduction to COREP
2. The COREP Templates
3. Automation
4. Risk Calculation
5. 2014 Overview
6. Electronic transmission

COREP Introduction

COREP

- Common Reporting (COREP) is the standardised reporting framework issued by the European Banking Authority (EBA) for the Capital Requirements Directive.

- The introduction of COREP has significantly increased the level of information provided to the MFSA by licence holders.

Aim

An increased level of regulatory supervision

- Aim is to harmonise EU-wide financial reporting obligations;
- Reporting must offer a more holistic view of the risks being taken, not just provide position;
- Licence Holders will need to show how they arrived at certain numbers, not just produce them.

The COREP Templates

The COREP Templates

The reporting framework consists of the following set of templates:

- Capital Adequacy
- Group Solvency
- Credit Risk
- Operational Risk
- Market Risk
- Large Exposures
- Leverage

The Capital Adequacy Templates - CA

CA1 template contains the amount of own funds of the licence holder.

CA2 template summarises the total risk exposures amounts.

CA3 template contains the ratios for which CRR state a minimum level.

CA4 template contains memorandums items needed for calculating items in CA1.

CA5 template contains the data needed for calculating the effect of transitional provisions in own funds. CA5 will cease to exist once the transitional provisions will expire.

Automation

How did we Automate?

The whole structure is built upon 3 important sheets:

- The Cover Sheet
- The Index Sheet
- The Input Sheet

Approximately **80%** of the information required for **regulatory reporting**

How did we Automate?

Introduction of additional Input Sheets

- Operational Risk Calculation
- Foreign Exchange Risk Calculation
- Fixed O/head Requirement

Approximately **10%** of the information required for **regulatory reporting**

The Income Statement and the Balance Sheet

FULLY AUTOMATED

IFRS COMPLIANT

Automated COREP Return

Other Important Features

- New Set of Central Bank BOP Returns also incorporated in the return;
- New FRE/D Mappings due to new reporting templates – All COREP templates can be viewed via FRE/D;
- A separate excel file created for licence holders who hold various market risk exposures.

Risk Calculation

Credit Risk

1. exposures to central governments or central banks;
2. exposures to regional governments or local authorities;
3. exposures to public sector entities;
4. exposures to multilateral development banks;
5. exposures to international organisations;
6. exposures to institutions;
7. exposures to corporates;
8. retail exposures;
9. exposures secured by mortgages on immovable property;
10. exposures in default;
11. exposures associated with particularly high risk;
12. exposures in the form of covered bonds;
13. items representing securitisation positions;
14. exposures to institutions and corporates with a short-term credit assessment;
15. exposures in the form of units or shares in collective investment undertakings ('CIUs');
16. equity exposures;
17. other items.

17 Exposures

Market Risk – Traded Debt Instruments

General Risk

Currency:

Zone	Maturity band	Individual net position (from MKR SA TDI, rows from 1.1 to 1.3)		Weighting (in %)	Weighted net position		By maturity bands		By zones		Between zones	
		Long	Short		Long	Short	Matched	Unmatched	Matched	Unmatched	Matched	
1	2	3	4	5	6	7	8	9	10	11	12	13
1	x1			0,00%								
1	x2			0,20%					B			
1	x3			0,40%								
1	x4			0,70%							Zone 1 in 2	
2	x5			1,25%							E	
2	x6			1,75%					C			Zone 1 in 3
2	x7			2,25%								H
3	x8			2,75%							Zone 2 in 3	
3	x9			3,25%							F	
3	x10			3,75%								
3	x11			4,50%					D			
3	x12			5,25%								
3	x13			6,00%								
3	x14			8,00%								
3	x15			12,50%								
Total							A			G		

Total capital requirement = 10% A + 40% B + 30% (C+D) + 40% (E+F) + 100% G + 150% H = ________________

CURRENCY

Market Risk – Traded Debt Instruments

Specific Risk

Categories	Specific risk own funds requirement
Debt securities which would receive a 0 % risk weight under the Standardised Approach for credit risk.	0 %
Debt securities which would receive a 20 % or 50 % risk weight under the Standardised Approach for credit risk and other qualifying items as defined in paragraph 4.	0,25 % (residual term to final maturity six months or less) 1,00 % (residual term to final maturity greater than six months and up to and including 24 months) 1,60 % (residual term to maturity exceeding 24 months)
Debt securities which would receive a 100 % risk weight under the Standardised Approach for credit risk.	8,00 %
Debt which would receive a 150 % risk weight under the Standardised Approach for credit risk.	12,00 %

CURRENCY

Market Risk – Equities

General & Specific Risk

General risk of equity instruments
“The own funds requirement against general risk shall be the institution's overall net position multiplied by 8 %.”

Specific risk of equity instruments
“The institution shall multiply its overall gross position by 8 % in order to calculate its own funds requirement against specific risk.”

MARKET

2014 Overview

2014 Overview

- COREP submitted to the MFSA without delay - 42 days-from-the-quarter-end, reporting deadline;
- On going consultation with the Industry. 2 way communication;
- Increased/ Improved Automation;
- Representation Sheet submission;
- Automated Return Quarterly Update.

Fixed Overhead Requirement

Category 2 Licence Holders

EBA FINAL draft Regulatory Technical Standards on own funds requirements for investment firms based on fixed overheads under Article 97(4) of Regulation (EU) No 575/2013 (Capital Requirements Regulation – CRR)

Investment firms shall calculate their fixed overheads of the preceding year, using figures resulting from the applicable accounting framework.

Where a firm has not completed business for one year from the day it starts trading, it shall use, for the calculation the projected fixed overheads included in its budget for the first twelve months' trading, as submitted with its application for authorisation.

Operational Risk Calculation

Category 3 Licence Holders

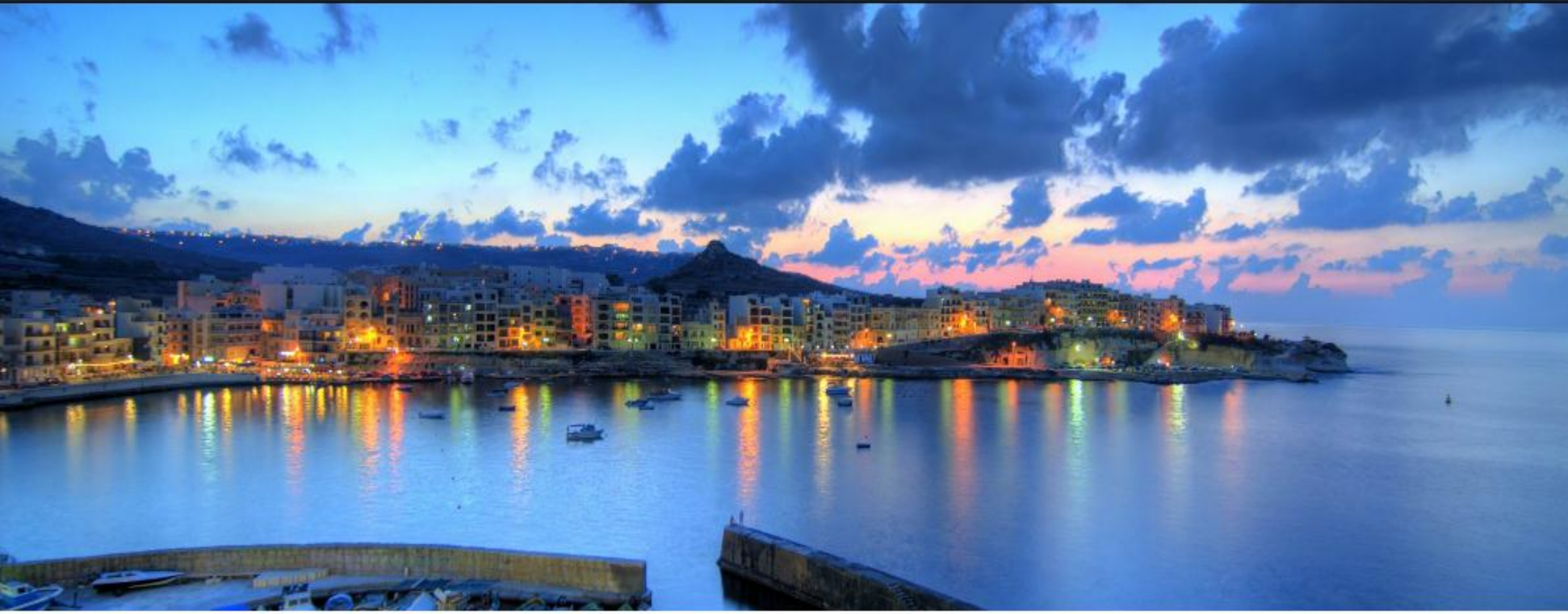
Licence Holders using the BIA Approach shall calculate their operational risk component, based on the information at financial year end. When audited figures are not available, the Licence Holder may use business estimates. If audited figures are available the Licence Holder should report these figures, which will then remain unchanged.

Electronic Submission

2014 vs 2015

2014
FRE/D

2015
LH PORTAL



MFSA License Holders' Web Portal

MFSA

The Malta Financial Services Authority (MFSA) is the single regulator for financial services activities in Malta. It regulates and supervises credit and financial institutions, investment, trust and insurance business and also houses the country's Companies Registry.

The MFSA issues guidance notes, monitors local and international developments, works with relevant parties on legislative matters, and plays a major role in training. It encourages high standards of compliance and runs a consumer complaints unit.

Address

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Phone: +356 2144 1155

Website: www.mfsa.com.mt

The LH Portal

- Will replace the FRE/D Portal in 2015;
- More User Friendly;
- Same procedure to upload returns;
- Added features – (*additional users*)
- https://lhportal.mfsa.com.mt/

In short…

Securities and Markets Supervision Unit aims to:

- **Decrease the reporting impact on our licence holders**
- Ascertain all risk information is being filled in correctly
- Make full use of the L/H Portal
- Achieve higher quality and better comparability of data

Thank you

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