1. Policy Compliance Conditions

Access Management

C-525

Description: Outsourcing offers the advantage of access to specialised and experienced personnel that may not be available internally,

Reference: PI.pdf, Page 123

C-526

Description: Outsourcing offers the advantage of access to specialised and experienced personnel that may not be available internally, and enables banks to concentrate on their core business and reduce costs.

Reference: PI.pdf, Page 123

C-843

Description: Banks which do not have a UAE-Specific website should create a website specific to UAE so that all stakeholders can have access to the Pillar 3 disclosures of the bank.

Reference: PIII.pdf, Page 10

C-1141

Description: Eligible ECAIs should notify the Central Bank of significant changes to methodologies, and should provide the Central Bank with sufficient access to external ratings and other relevant

Reference: PI.pdf, Page 142

C-1142

Description: Eligible ECAIs should notify the Central Bank of significant changes to methodologies, and should provide the Central Bank with sufficient access to external ratings and other relevant data to support initial and ongoing determination of eligibility.

Reference: PI.pdf, Page 142

C-1297

Description: To promote transparency and market discipline, an ECAI should demonstrate that it provides access to information that enables stakeholders to make decisions about the

Reference: PI.pdf, Page 140

C-1298

Description: To promote transparency and market discipline, an ECAI should demonstrate that it provides access to information that enables stakeholders to make decisions about the appropriateness of ratings for the intended use or uses.

Reference: PI.pdf, Page 140

C-3971

Description: With regard to the bank's risk management and control function, the ICAAP report is expected to describe (i) How the RMF has access to all business lines and other units that might have possibility in generating risk , and to all relevant subsidiaries, and affiliates; (ii) RMF processes/ practices/ mechanisms through which the bank effectively identifies, measures, monitors, and reports material risks;

Reference: PII.pdf, Page 29

Compliance

C-18

Description: Other Assets Question 15: The Credit Risk Standard states in section 5, that equity investment in commercial entities that are below the thresholds shall be risk weighted at 150% if the

Reference: PI.pdf, Page 34

C-22

Description: Off Balance-sheet Items Question 22: The Credit Risk Standards states that, "Any commitments that are unconditionally cancellable at any time by the bank without prior notice, or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness

Reference: PI.pdf, Page 34

C-23

Description: Off Balance-sheet Items Question 22: The Credit Risk Standards states that, “Any commitments that are unconditionally cancellable at any time by the bank without prior notice, or that effectively provide for automatic cancellation due to deterioration in a borrower’s creditworthiness must be converted into credit exposure equivalents using CCF of 0%”.

Reference: PI.pdf, Page 34

C-36

Description: The CN-01 form should be completed, filled and signed by the bank’s Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Internal Audit, Head of Compliance and Head

Reference: PI.pdf, Page 21

C-51

Description: However, in particular in conjunction with the development of a recovery/ resolution regulation, the introduction of a trigger level may also be discussed again, as pointed out in the presentation that was circulated with the Tier capital instrumentdocuments.

Reference: PI.pdf, Page 22

C-54

Description: Introduction This section provides the guidance for the computation of Credit Risk Weighted Assets (CRWAs) under the Standardised Approach (SA).

Reference: PI.pdf, Page 23

C-55

Description: This guidance should be read in conjunction with the Central Bank’s Standard on Credit Risk.

Reference: PI.pdf, Page 23

C-59

Description: In general, banks should only use solicited ratings from recognised ECAIs for the purposes of calculating capital requirement under the SA.

Reference: PI.pdf, Page 23

C-76

Description: In addition, banks are specifically required to ensure compliance with other aspects of the banking regulations when

Reference: PI.pdf, Page 24

C-77

Description: In addition, banks are specifically required to ensure compliance with other aspects of the banking regulations when lending to these entities, for example, but not limited to, the Central Bank large exposure regulations.

Reference: PI.pdf, Page 24

C-84

Description: In the case of a UAE sovereign guarantee given to a non-commercial PSE, with the Central Bank approval, the guarantee may be treated as eligible credit risk mitigation (CRM) to reduce the exposure provided the bank ensures compliance with the entire minimum regulatory

Reference: PI.pdf, Page 25

C-88

Description: Banks Internal audit/compliance department should perform regular reviews to ensure

Reference: PI.pdf, Page 25

C-90

Description: Banks Internal audit/compliance department should perform regular reviews to ensure the PSE and GRE classification complies with the Central Bank GRE list.

Reference: PI.pdf, Page 25

C-95

Description: Strict statutory lending requirements and conservative financial policies, which would include among other conditions a structured approval process, internal creditworthiness and risk concentration limits (per country, sector, and individual exposure and credit category), large exposures approval by the board or a committee of the board, fixed repayment schedules, effective monitoring of use of proceeds, status review process, and rigorous assessment of risk and provisioning to loan loss

Reference: PI.pdf, Page 25

C-115

Description: Banks with negligible business in foreign currencies and with no FX positions taken for their own account may exclude their FX positions if they meet both of the following requirements:

Reference: PI.pdf, Page 105

C-121

Description: Banks must calculate RWA for those centrally cleared transactions as specified in the Central Bank's CCR Standards.

Reference: PI.pdf, Page 67

C-127

Description: These instead must be treated as any other similar instrument in the bank's portfolio for regulatory capital

Reference: PI.pdf, Page 68

C-139

Description: The revised Pillar 3 disclosure requirements in this guidance are based on an extensive review of Pillar 3 reports.

Reference: PIII.pdf, Page 2

C-146

Description: Banks having a banking subsidiary will be required to be consolidated at Group level as one Pillar 3 report as well as at subsidiary solo level as a separate Pillar 3 report Banks offering Islamic financial services should comply with these disclosure requirements.

Reference: PIII.pdf, Page 3

C-147

Description: These requirements are applicable to their activities that are in line with Islamic Sharia rules and principals, which are neither interest-based lending nor borrowing but are parallel to the activities described in these Guidance and Explanatory Notes Implementation date

Reference: PIII.pdf, Page 3

C-148

Description: Banks offering Islamic financial services should comply with these disclosure requirements.

Reference: PIII.pdf, Page 3

C-149

Description: Banks need to report in each table as per the requirements for that table set out in the Appendix since few tables are required to be reported

Reference: PIII.pdf, Page 3

C-154

Description: the requirements for that table set out in the Appendix since few tables are required to be reported every quarter or semi-annually or annually.

Reference: PIII.pdf, Page 3

C-161

Description: The reporting frequencies for each disclosure requirement are set out in the schedule in

Reference: PIII.pdf, Page 3

C-162

Description: The reporting frequencies for each disclosure requirement are set out in the schedule in paragraph 27 below.

Reference: PIII.pdf, Page 3

C-165

Description: The frequencies vary between quarterly, semi-annual and annual reporting depending upon the nature of the specific disclosure requirement.

Reference: PIII.pdf, Page 3

C-170

Description: If a Pillar 3 disclosure is required to be published for a period when a bank does not produce any financial report, the disclosure requirement should

Reference: PIII.pdf, Page 3

C-202

Description: Pillar 3 complements the minimum risk-based capital requirements and other quantitative requirements (Pillar 1) and the supervisory review process (Pillar 2) and aims to promote market

Reference: PIII.pdf, Page 4

C-204

Description: Pillar 3 complements the minimum risk-based capital requirements and other quantitative requirements (Pillar 1) and the supervisory review process (Pillar 2) and aims to promote market discipline by providing meaningful regulatory information to investors and other interested parties on a consistent and comparable basis.

Reference: PIII.pdf, Page 4

C-207

Description: requirements (Pillar 1) and the supervisory review process (Pillar 2) and aims to promote market discipline by providing meaningful regulatory information to investors and other interested parties on a consistent and comparable basis.

Reference: PIII.pdf, Page 4

C-233

Description: Additions, deletions and other important changes in disclosures from previous reports, including those arising from a bank's specific, regulatory or market developments, should be highlighted and explained.

Reference: PIII.pdf, Page 5

C-261

Description: Large banks: FAB, ENBD, ADCB, DIB, Mashreq, ADIB, CBD 15/03/2022 01/03 Other local banks and HSBC, Standard Chartered Bank, 31/03/2022 31/03 Citibank, Arab Bank, and Bank of Baroda Other Foreign Banks 15/04/2022 15/04 Approval of the ICAAP report: 128.

Reference: PII.pdf, Page 22

C-263

Description: Other local banks and HSBC, Standard Chartered Bank, 31/03/2022 31/03 Citibank, Arab Bank, and Bank of Baroda Other Foreign Banks 15/04/2022 15/04 Approval of the ICAAP report: 128.

Reference: PII.pdf, Page 22

C-283

Description: system for assessing the full scope of its risks, develops a system to relate risk to the bank's capital level, and establishes a method for monitoring compliance with internal policies.

Reference: PII.pdf, Page 22

C-288

Description: In addition, the review should cover the integrity and validity of regulatory data submitted to the Central Bank during the course of the year relating to Pillar 1 capital requirements, which should address, but not be limited to the following:

Reference: PII.pdf, Page 23

C-289

Description: submitted to the Central Bank during the course of the year relating to Pillar 1 capital requirements, which should address, but not be limited to the following: (i) Appropriate classification of risk-weighted assets (RWA); (ii) Appropriate inclusion of the off-balance sheet values and the application of credit conversion factors (CCF); and (iii) Appropriate credit risk mitigation (CRM) methodology application and values.

Reference: PII.pdf, Page 23

C-294

Description: For example: (i) All risk quantification methodologies and models must be subject to independent validation (internal/ external); and (ii) Internal Audit should perform an independent review of the bank's capital framework implementation every year in accordance with the Capital Standards.

Reference: PII.pdf, Page 23

C-297

Description: (ii) Internal Audit should perform an independent review of the bank's capital framework implementation every year in accordance with the Capital Standards.

Reference: PII.pdf, Page 23

C-299

Description: framework implementation every year in accordance with the Capital Standards.

Reference: PII.pdf, Page 23

C-331

Description: The comparison between the F-IRB approach and the regulatory standardised approach for credit risk has to be performed on an asset class level and the

Reference: PII.pdf, Page 25

C-332

Description: The comparison between the F-IRB approach and the regulatory standardised approach for credit risk has to be performed on an asset class level and the greater capital requirement should be applied in the ICAAP.

Reference: PII.pdf, Page 25

C-335

Description: greater capital requirement should be applied in the ICAAP.

Reference: PII.pdf, Page 25

C-346

Description: IFRS9 banks have a PD for every exposure, which may be used to calculate the F-IRB capital. It is, however, not mandatory to fully implement the F-IRB approach. Comparing regulatory capital

Reference: PII.pdf, Page 21

C-357

Description: Question 6: Does the requirement that rating methodologies be established for at least one

Reference: PI.pdf, Page 146

C-358

Description: Question 6: Does the requirement that rating methodologies be established for at least one year preclude new rating methodologies from being introduced?

Reference: PI.pdf, Page 146

C-359

Description: No, this requirement does not preclude the development and implementation of new rating

Reference: PI.pdf, Page 146

C-371

Description: Calculating the Capital Charge Two alternative approaches for calculating the capital charge for commodities are set out by the standardised measurement method: a) Simplified Approach Under the simplified approach, banks must express each commodity position, spot plus

Reference: PI.pdf, Page 105

C-372

Description: by the standardised measurement method: a) Simplified Approach Under the simplified approach, banks must express each commodity position, spot plus forward, in terms of the standard unit of measurement (barrels, kilos, grams, and so on).

Reference: PI.pdf, Page 105

C-376

Description: The maturity ladder approach Step 1 Express each commodity position in terms of the standard unit of measurement, and value in the reporting currency at the current spot price

Reference: PI.pdf, Page 105

C-396

Description: Is it an additional requirement to perform the ICAAP also at solo level or should the ICAAP also have a solo-level

Reference: PII.pdf, Page 26

C-397

Description: The ICAAP should evaluate the capital requirement and capital adequacy of the bank at group level, following the regulatory consolidation.

Reference: PII.pdf, Page 26

C-398

Description: requirement to perform the ICAAP also at solo level or should the ICAAP also have a solo-level analysis?

Reference: PII.pdf, Page 26

C-409

Description: Question 13: If a bank reports regulatory operational risk capital requirements using the BIA, can

Reference: PII.pdf, Page 26

C-410

Description: Question 13: If a bank reports regulatory operational risk capital requirements using the BIA, can the Standardised Approach be used to quantify the potential additional operational risk charge under Pillar 2 if the capital requirement is higher under the SA compared to the BIA?

Reference: PII.pdf, Page 26

C-412

Description: Answer: The ICAAP is an internal process and the bank must determine the most adequate methodology to quantify the extent to which regulatory capital requirements for operational risk fail to adequately address the true extent of its potential operational risk losses.

Reference: PII.pdf, Page 26

C-416

Description: Question 15: Does the Internal Audit (IA) review required under Section IX - Internal Control Review contradict the requirement in Appendix 3.4, which requires banks to disclose the Internal

Reference: PII.pdf, Page 26

C-426

Description: (Note, that in the Capital Standards, para 13 under Introduction and Scope requires an annual review of

Reference: PII.pdf, Page 26

C-427

Description: (Note, that in the Capital Standards, para 13 under Introduction and Scope requires an annual review of the capital framework.) Question 16: Why does the Standard/ Guidance not address any specifics related to Islamic banking?

Reference: PII.pdf, Page 26

C-465

Description: All the deductions from capital according tothe Tier capital supply of Standards of Capital Adequacy in the UAE, for reconciliation between the regulatory return and the audited/reviewed financial statement.

Reference: PI.pdf, Page 29

C-480

Description: Banks should ensure that all minimum legal and the operational requirements set out in

Reference: PI.pdf, Page 30

C-489

Description: Shari'ah Implementation Banks that conduct all or part of their activities in accordance with the provisions of Shari'ah laws and have exposure to risks similar to those mentioned in the Credit Risk Standard, shall, for the purpose of maintaining an appropriate level of capital, calculate the relevant risk

Reference: PI.pdf, Page 30

C-490

Description: This must be done in a manner compliant with the Shari'ah laws.

Reference: PI.pdf, Page 30

C-491

Description: To ensure consistent implementation of the Credit Risk Standard in the UAE, the main questions are addressed hereunder.

Reference: PI.pdf, Page 30

C-494

Description: Shari'ah laws and have exposure to risks similar to those mentioned in the Credit Risk Standard, shall, for the purpose of maintaining an appropriate level of capital, calculate the relevant risk

Reference: PI.pdf, Page 29

C-510

Description: of, any capital required under other Central Bank Standards. Banks should follow the

Reference: PI.pdf, Page 98

C-511

Description: Banks should follow the requirements of all other applicable Central Bank standards to determine overall capital adequacy requirements.

Reference: PI.pdf, Page 98

C-513

Description: The standardised approach provides a framework for measuring interest rate risk.

Reference: PI.pdf, Page 98

C-543

Description: Question 8: The EIF standards allows for partial use of approaches for reporting EIF and

Reference: PI.pdf, Page 86

C-544

Description: Question 8: The EIF standards allows for partial use of approaches for reporting EIF and the RWA calculations from each applied approach are summed, and then divided by total fund assets to compute "Avg RWfund".

Reference: PI.pdf, Page 86

C-555

Description: While credit rating agencies capture some aspects of the risk related to tranche thickness in their external ratings, analysis performed by the BCBS suggested that capital requirements for a given rating of a mezzanine tranche should differ

Reference: PI.pdf, Page 89

C-560

Description: (Note that in this case, the material effects of differing tranche maturities are captured by maturity adjustments to the risk weights assigned to the securitisation exposures, per the Standards.) In a traditional securitisation where all tranches above the first-loss piece are rated, the most highly rated position should be treated as a senior tranche.

Reference: PI.pdf, Page 90

C-562

Description: the risk weights assigned to the securitisation exposures, per the Standards.) In a traditional securitisation where all tranches above the first-loss piece are rated, the most highly rated position should be treated as a senior tranche.

Reference: PI.pdf, Page 90

C-632

Description: Shari'ah Implementation: Bank that conduct all or part of their activities in accordance with the provisions of Shari'ah and have exposure to risks similar to those mentioned in the Market Risk Standard, shall, for the

Reference: PI.pdf, Page 109

C-633

Description: Shari'ah Implementation: Bank that conduct all or part of their activities in accordance with the provisions of Shari'ah and have exposure to risks similar to those mentioned in the Market Risk Standard, shall, for the purpose of maintaining an appropriate level of capital, calculate the relevant risk weighted asset

Reference: PI.pdf, Page 109

C-644

Description: Paragraph 41 on "Allowable offsetting of matched positions" of the market risk standard applies to both approaches and depends on what approach the bank uses for reporting.

Reference: PI.pdf, Page 110

C-652

Description: 111

CBUAE Classification: Public Question 11: BCBS standards provides banks two options to include large swap books in

Reference: PI.pdf, Page 110

C-653

Description: CBUAE Classification: Public Question 11: BCBS standards provides banks two options to include large swap books in the maturity or duration ladder (Convert the payments into their present values or to calculate the sensitivity of the net present value).

Reference: PI.pdf, Page 110

C-660

Description: In addition, exposures to the Federal Government and Emirates Government receive 0% risk weight, if such exposures are denominated and funded in AED or USD for a transition period of 7 years from the date of implementation of this Standard.

Reference: PI.pdf, Page 110

C-679

Description: Operational requirements for the recognition of risk transference The Standards requires that banks obtain a legal opinion to confirm true sale to demonstrate that the transferor does not maintain effective or indirect control over the transferred

Reference: PI.pdf, Page 90

C-680

Description: Examples of terms or conditions that would violate this requirement include the following:

Reference: PI.pdf, Page 90

C-685

Description: Due diligence The Standards requires banks to have a thorough understanding of all structural features of a securitisation transaction that would materially affect the performance of the bank's exposures to

Reference: PI.pdf, Page 90

C-728

Description: Standardised Approach 1- Below is small example indicated which to include and exclude in the gross income: Included Excluded Provisions Profits/losses from sale of securities Operating expenses Extraordinary/ irregular items Gross income for each business line should:

Reference: PI.pdf, Page 134

C-738

Description: This volume-based indicator is provided to avoid large differences in the operational risk requirement caused by differences in income margins across banks and jurisdictions in these business lines.

Reference: PI.pdf, Page 130

C-750

Description: The qualifying criteria provided in paragraph 28 of the Operational Risk section of Standards re Capital Adequacy in the UAE, especially the first one (90% income from retail/commercial banking) are stringent.

Reference: PI.pdf, Page 130

C-751

Description: The Central Bank will review whether the bank meets the 90% standard to determine whether an additional size cut-off is appropriate.

Reference: PI.pdf, Page 130

C-767

Description: templates, banks will need to consider carefully how widely the disclosure requirement should

Reference: PIII.pdf, Page 6

C-770

Description: It should describe the portfolios excluded from the disclosure requirement and the aggregate total RWAs those portfolios represent.

Reference: PIII.pdf, Page 6

C-774

Description: Banks may add extra rows and extra columns to fixed format templates if they wish to provide additional detail to a disclosure requirement by adding sub-rows

Reference: PIII.pdf, Page 6

C-776

Description: Banks may add extra rows and extra columns to fixed format templates if they wish to provide additional detail to a disclosure requirement by adding sub-rows 185

CBUAE Classification: Public or columns, but the numbering of prescribed rows and columns in the template should not be

Reference: PIII.pdf, Page 6

C-786

Description: in a bank's annual report or through published regulatory reporting) the templates/tables with a flexible

Reference: PIII.pdf, Page 6

C-788

Description: in a bank's annual report or through published regulatory reporting) the templates/tables with a flexible format, and the fixed format templates where the criteria in paragraph 22 are met.

Reference: PIII.pdf, Page 6

C-800

Description: consolidation as the one used in the disclosure requirement; • the disclosure in the signposted document is mandatory.

Reference: PIII.pdf, Page 6

C-810

Description: Additional voluntary risk disclosures allow banks to present information relevant to their business model that may not be adequately captured by the standardised requirements.

Reference: PIII.pdf, Page 6

C-817

Description: Format and reporting frequency of each disclosure requirement

Reference: PIII.pdf, Page 7

C-822

Description: For smaller foreign bank branches, Country Manager/GM will be sufficient Question 2: There are requirements on the Pillar III disclosure that is dependent on the BASEL returns (BRF 95), in relation to this, the submission that mentions 6 weeks after the end of the relevant quarter starts from the BASEL quarter reporting deadline

Reference: PIII.pdf, Page 10

C-823

Description: Question 2: There are requirements on the Pillar III disclosure that is dependent on the BASEL returns (BRF 95), in relation to this, the submission that mentions 6 weeks after the end of the relevant quarter starts from the BASEL quarter reporting deadline or actual quarter end?

Reference: PIII.pdf, Page 10

C-849

Description: As a result of that multiplication, the M in the denominator of the discount factor is cancelled out, making the overall result the same as that provided by DF in the Standards.

Reference: PI.pdf, Page 71

C-854

Description: In the case of unrated counterparties or entities, banks should follow the approach applied by the Central Bank for credit derivatives that reference unrated entities in the CCR Standards, treating them as BBB rated unless the counterparty or entity has an elevated risk of default, in which case they should

Reference: PI.pdf, Page 74

C-855

Description: Use of this rating scale for purposes of the CVA Standards should not be viewed as an

Reference: PI.pdf, Page 74

C-856

Description: for credit derivatives that reference unrated entities in the CCR Standards, treating them as BBB rated unless the counterparty or entity has an elevated risk of default, in which case they should be treated as BB rated.

Reference: PI.pdf, Page 74

C-857

Description: Use of this rating scale for purposes of the CVA Standards should not be viewed as an endorsement of that or any other external rating agency.

Reference: PI.pdf, Page 74

C-864

Description: Note that under the CCR Standard, the bank must have a determination of non-objection from the

Reference: PI.pdf, Page 75

C-865

Description: Note that under the CCR Standard, the bank must have a determination of non-objection from the Central Bank with regard to any specific QCCP.

Reference: PI.pdf, Page 75

C-867

Description: No, DVA cannot be taken into account to reduce regulatory CVA for the capital calculation.

Reference: PI.pdf, Page 75

C-869

Description: Question 5: For calculating the weighted average maturity, should we use the original deal notional values, or the effective notional values per the CCR standards?

Reference: PI.pdf, Page 75

C-883

Description: This followed a BCBS review of the risk-based capital requirements for

Reference: PI.pdf, Page 81

C-884

Description: This followed a BCBS review of the risk-based capital requirements for banks' exposures to funds, undertaken as part of the work of the Financial Stability Board (FSB) to strengthen the oversight and regulation of shadow banking.

Reference: PI.pdf, Page 81

C-893

Description: The Central Bank has chosen not to use the national discretion provided within the BCBS framework to exclude from the standard equity positions in entities whose debt obligations qualify for a zero risk weight.

Reference: PI.pdf, Page 82

C-894

Description: The Central Bank also has chosen not to use the national discretion provided within the BCBS framework to exclude from the scope of the standard equity investments

Reference: PI.pdf, Page 82

C-895

Description: Another way to view the capital requirement for equity investments in funds is that a bank generally must count a proportional amount of the risk-weighted assets (RWA) of the fund as the

Reference: PI.pdf, Page 82

C-897

Description: The information used for to determine the risk weights must meet the requirements stated in the Standards, including

Reference: PI.pdf, Page 83

C-899

Description: The information used for to determine the risk weights must meet the requirements stated in the Standards, including sufficiency, frequency, and third party review.

Reference: PI.pdf, Page 83

C-901

Description: RWA and assets of investment funds should, to the extent possible, be evaluated using the same accounting standards the bank would apply if the assets were held directly.

Reference: PI.pdf, Page 83

C-917

Description: All banks licensed by the Central Bank of the UAE must ensure that Pillar 1 risks - credit, market, and operational risk - are mitigated by capital, in compliance with the capital

Reference: PII.pdf, Page 2

C-918

Description: All banks licensed by the Central Bank of the UAE must ensure that Pillar 1 risks - credit, market, and operational risk - are mitigated by capital, in compliance with the capital adequacy framework articulated in the document Central Bank "Regulations re Capital Adequacy" issued under Notice 60/2017 and the supporting capital standards and guidance, articulated in the document Central Bank "Standards and Guidance re Capital Adequacy of

Reference: PII.pdf, Page 2

C-919

Description: credit, market, and operational risk - are mitigated by capital, in compliance with the capital adequacy framework articulated in the document Central Bank "Regulations re Capital Adequacy" issued under Notice 60/2017 and the supporting capital standards and guidance, articulated in the document Central Bank "Standards and Guidance re Capital Adequacy of Banks in the UAE".

Reference: PII.pdf, Page 2

C-920

Description: Adequacy" issued under Notice 60/2017 and the supporting capital standards and guidance, articulated in the document Central Bank "Standards and Guidance re Capital Adequacy of Banks in the UAE".

Reference: PII.pdf, Page 2

C-921

Description: articulated in the document Central Bank "Standards and Guidance re Capital Adequacy of Banks in the UAE".

Reference: PII.pdf, Page 2

C-923

Description: Each bank is required to maintain appropriate capital levels in accordance with the Central Bank Standards on Pillar 2 capital.

Reference: PII.pdf, Page 2

C-927

Description: Consequently, Pillar 2 is both a bank internal process reported under the ICAAP, and the evaluation of each bank's compete capital adequacy includes the ICAAP in its regulatory process - the SREP.

Reference: PII.pdf, Page 2

C-943

Description: Models employed for the measurement 150

CBUAE Classification: Public of Pillar 2 risks should comply with the Central Bank Model Management Standards and

Reference: PII.pdf, Page 3

C-944

Description: CBUAE Classification: Public of Pillar 2 risks should comply with the Central Bank Model Management Standards and Guidance.

Reference: PII.pdf, Page 3

C-945

Description: This does not mean that smaller or less complex banks are exempted from the reporting requirements or from undertaking a comprehensive assessment of the risks

Reference: PII.pdf, Page 3

C-947

Description: from the reporting requirements or from undertaking a comprehensive assessment of the risks they face.

Reference: PII.pdf, Page 3

C-951

Description: It (i) Explains in more detail the Central Bank's expectations on fulfilling the requirements of the ICAAP Capital Standards, in particular, related to the ICAAP (process) at each bank and certain aspects of the content of the ICAAP report;

Reference: PII.pdf, Page 3

C-952

Description: It (i) Explains in more detail the Central Bank's expectations on fulfilling the requirements of the ICAAP Capital Standards, in particular, related to the ICAAP (process) at each bank and certain aspects of the content of the ICAAP report; (ii) Covers expectations on some processual elements of the ICAAP, such as an appropriate approval process of the ICAAP report and its submission timelines;

Reference: PII.pdf, Page 3

C-981

Description: As a result, the ICAAP should result in additional capital requirements specific to each bank's

Reference: PII.pdf, Page 5

C-998

Description: All models used directly or indirectly in the ICAAP should follow the bank's model management framework, in compliance with the Central Bank Standards and Guidance.

Reference: PII.pdf, Page 5

C-1013

Description: Each bank should have a process to ensure capital transferability that addresses any restrictions on the management's ability to transfer or allocate capital into or out of the bank's subsidiaries (for example contractual, commercial, regulatory, or statutory/legal restrictions that may apply).

Reference: PII.pdf, Page 5

C-1017

Description: The analysis should also address international operations that have jurisdictional capital requirements or

Reference: PII.pdf, Page 6

C-1020

Description: should also address international operations that have jurisdictional capital requirements or restrictions.

Reference: PII.pdf, Page 6

C-1084

Description: Banks should determine which additional capital requirements under Pillar

Reference: PII.pdf, Page 5

C-1085

Description: Banks should determine which additional capital requirements under Pillar 1 and Pillar 2 in business as usual BAU and stress scenarios on the top of the minimum regulatory requirements would be adequate and whether the bank's risk appetite is adequate or requires to be adjusted accordingly.

Reference: PII.pdf, Page 5

C-1103

Description: This should be approved by the Board and by Senior Management; and (iv) In return, the ICAAP and capital requirements should feed back to the business

Reference: PII.pdf, Page 5

C-1105

Description: This should be approved by the Board and by Senior Management; and (iv) In return, the ICAAP and capital requirements should feed back to the business lines and the risk management function in order to steer the strategy of the bank.

Reference: PII.pdf, Page 5

C-1111

Description: by Senior Management; and (iv) In return, the ICAAP and capital requirements should feed back to the business

Reference: PII.pdf, Page 5

C-1123

Description: For example: UAE and GCC sovereign exposure that are funded and denominated in the domestic currency receive 0% RW (independent of the external rating of that sovereign) Exposures to the Federal Government and Emirates Government receive 0% risk weight, if such exposures are denominated and funded in AED or USD for a transition period of 7 years from the date of implementation of this Standard.

Reference: PI.pdf, Page 112

C-1143

Description: Code of Conduct and Regulation 17.

Reference: PI.pdf, Page 142

C-1158

Description: For the purpose of applying ECAI ratings to derive risk-weights for exposures, banks should apply the following process: (i) Identify an ECAI (the "nominated ECAI") whose assigned ratings the bank intends to use to derive risk weights for some type of exposure that is subject to an external ratings-based approach under Central Bank standards; (ii) Confirm that the nominated ECAIs can provide reasonable coverage of the bank's

Reference: PI.pdf, Page 143

C-1159

Description: (i) Identify an ECAI (the "nominated ECAI") whose assigned ratings the bank intends to use to derive risk weights for some type of exposure that is subject to an external ratings-based approach under Central Bank standards; (ii) Confirm that the nominated ECAIs can provide reasonable coverage of the bank's exposures in terms of the types of counterparties and the geographical regions covered; (iii) Document the selection of the ECAI and the analysis demonstrating that the ratings

Reference: PI.pdf, Page 143

C-1202

Description: Exposures to these securities firms shall be treated as claims on banks if these firms are subject to prudential standards and a level of supervision that is equivalent to those applicable to banks.

Reference: PI.pdf, Page 25

C-1203

Description: Such supervision must include at least both capital and liquidity requirements.

Reference: PI.pdf, Page 25

C-1206

Description: Claims included in the Regulatory Retail Portfolios To qualify for a 75% risk weight in the regulatory retail portfolio, claims must meet the four

Reference: PI.pdf, Page 25

C-1236

Description: These examples are for guidance only; banks should consult the actual Leverage Ratio Standards for the specific requirements.

Reference: PIII.pdf, Page 21

C-1242

Description: Note that additional requirements related to the use of ratings in capital requirements for securitisation are provided in the Central Bank's Standards on Required Capital for

Reference: PI.pdf, Page 138

C-1250

Description: To establish that an ECAI fulfils this primary component of eligibility criteria, it must demonstrate that it meets the following minimum standards:

Reference: PI.pdf, Page 138

C-1251

Description: To establish that an ECAI fulfils this primary component of eligibility criteria, it must demonstrate that it meets the following minimum standards: (i) The ECAI has established rating definitions, criteria, and methodologies, and apply

Reference: PI.pdf, Page 138

C-1252

Description: To establish that an ECAI fulfils this primary component of eligibility criteria, it must demonstrate that it meets the following minimum standards: (i) The ECAI has established rating definitions, criteria, and methodologies, and apply them consistently; (ii) The ECAI should have a robust procedure of rating assignment based on published

Reference: PI.pdf, Page 138

C-1261

Description: The analysis should reflect a definition of default that is consistent with international standards, subject to possible adjustments to take into account local practices or institutional or market conditions; (v) The rating methodology for each market segment, including rigorous back testing, must have been established for at least one year and preferably three years;

Reference: PI.pdf, Page 139

C-1262

Description: The analysis should reflect a definition of default that is consistent with international standards, subject to possible adjustments to take into account local practices or institutional or market conditions; (v) The rating methodology for each market segment, including rigorous back testing, must have been established for at least one year and preferably three years;

(vi) All rating decisions should be made based on the ECAI's established criteria and methodologies, subject to documented variations approved in accordance with the

Reference: PI.pdf, Page 139

C-1324

Description: Alternative Standardised Approach (ASA) Capital Charge The Alternative Standardised Approach provides a different exposure indicator for two

Reference: PI.pdf, Page 127

C-1325

Description: Calculation of Operational Risk Capital Charge under Alternative Standardised Approach (ASA) Using the ASA, the operational risk capital charge for retail banking and commercial banking will be based on the following formulas:

Reference: PI.pdf, Page 127

C-1351

Description: When preparing these individual tables and templates, banks will need to consider carefully how widely the disclosure requirement should

Reference: PIII.pdf, Page 6

C-1405

Description: assessment from banks are specifically identified. When preparing these individual tables and templates, banks will need to consider carefully how widely the disclosure requirement should

Reference: PIII.pdf, Page 6

C-1436

Description: Should it be considered since the standards mentions insurance subsidiaries are to be completely

Reference: PI.pdf, Page 7

C-1437

Description: Should it be considered since the standards mentions insurance subsidiaries are to be completely deconsolidated and hence there will be no goodwill?

Reference: PI.pdf, Page 7

C-1479

Description: For instance, any exposure that is ordinarily subject to a 20% risk weight under the risk-based capital standards would be weighted at 24% (1.2×20%) when the look-through is performed by a third party.

Reference: PI.pdf, Page 83

C-1482

Description: CBUAE Classification: Public As with the LTA, for purposes of the MBA the RWA and assets of investment funds should, to the extent possible, be evaluated using the same accounting standards the bank would apply if the assets were held directly.

Reference: PI.pdf, Page 84

C-1494

Description: If the investment is one that the bank would be required to deduct from capital, then the investment is not in scope for this Standards.

Reference: PI.pdf, Page 85

C-1495

Description: Assuming that the fund in question is not consolidated into the bank under accounting rules for financial reporting, such an investment is considered a direct investment under the Standards.

Reference: PI.pdf, Page 85

C-1496

Description: Question 4: Under the Standards, what methodology should a bank use to compute

Reference: PI.pdf, Page 85

C-1497

Description: Question 4: Under the Standards, what methodology should a bank use to compute counterparty credit risk exposure for funds in which the bank has an equity investment?

Reference: PI.pdf, Page 85

C-1498

Description: The Standards states that banks must risk weight all exposures as if the bank held those

Reference: PI.pdf, Page 85

C-1499

Description: Thus, the risk weights and the exposure amounts for counterparty credit risk should be determined using the standards that would apply to the bank.

Reference: PI.pdf, Page 85

C-1501

Description: weighted assets the fund could achieve under the terms of its mandate or governing laws and regulations. Under the MBA, the bank should assume that the fund's assets are first invested to

Reference: PI.pdf, Page 81

C-1550

Description: Claims included in the Regulatory Retail Portfolios To qualify for a 75% risk weight in the regulatory retail portfolio, claims must meet the four 27

CBUAE Classification: Public criteria stated in the Credit Risk Standard (orientation criterion, product criterion, granularity criterion and value criterion).

Reference: PI.pdf, Page 27

C-1560

Description: LTVs for individual exposures For residential exposures that meet the criteria for regulatory retail claims and have an LTV greater than 85%, the 75% risk weight must be applied to the whole loan, i.e.

Reference: PI.pdf, Page 27

C-1581

Description: All models employed in the quantification of stress results should comply with the requirements presented in the Central Bank Model Management Standards and Guidance.

Reference: PII.pdf, Page 21

C-1585

Description: Such projection should be constructed over a minimum of three (3) years, in coherence with the most recent capital plan and with the Central Bank regulatory exercise.

Reference: PII.pdf, Page 21

C-1730

Description: The Central Bank shall evaluate evidence that the bank has embraced the process for business rather than regulatory reasons.

Reference: PII.pdf, Page 7

C-1733

Description: Each bank should operate above the minimum capital requirements set by the Central

Reference: PII.pdf, Page 7

C-1735

Description: The objective of capital planning is to ensure that: (i) Each bank is compliant with minimum regulatory requirements; (ii) The bank is viable and able to endure external economic changes; and (iii) Each bank's capital is calibrated to its risk profile in order to absorb unexpected losses through time, including periods of economic downturn.

Reference: PII.pdf, Page 7

C-1744

Description: The multi-year capital forecast should be assessed and calibrated through two perspectives: (i) Pillar 1: The bank's ability to fulfil all of its capital-related regulatory, supervisory requirements, and demands; and (ii) Pillar 2: The bank's ability to cope with capital demands beyond that of the regulatory requirements, in accordance to its risk profile.

Reference: PII.pdf, Page 7

C-1764

Description: subject matter of the requirement instead. The bank should also explain to Central Bank the

Reference: PIII.pdf, Page 5

C-1866

Description: Another required condition is that relevant laws, regulation, rules, contractual or administrative arrangements provide that the offsetting transactions with the defaulted or

Reference: PIII.pdf, Page 18

C-1867

Description: Another required condition is that relevant laws, regulation, rules, contractual or administrative arrangements provide that the offsetting transactions with the defaulted or insolvent CM are highly likely to continue to be indirectly transacted through the QCCP, or by the QCCP, if the CM defaults or becomes insolvent.

Reference: PIII.pdf, Page 18

C-1903

Description: The analysis should include a robust and conservative forecast of operational risk losses and respective capital requirements (at least split into conduct and non-

Reference: PII.pdf, Page 14

C-1904

Description: Examples of legal risk include inadequate documentation, legal, regulatory incapacity, the insufficient authority of a

Reference: PII.pdf, Page 14

C-1905

Description: operational risk losses and respective capital requirements (at least split into conduct and non- conduct risks).

Reference: PII.pdf, Page 14

C-1906

Description: Examples of legal risk include inadequate documentation, legal, regulatory incapacity, the insufficient authority of a counterparty, and contract invalidity/ unenforceability.

Reference: PII.pdf, Page 14

C-1915

Description: Such threshold has been implemented for regulatory purposes.

Reference: PII.pdf, Page 14

C-1916

Description: The measurement of concentration risk for risk management purposes and for determining Pillar 2 risk capital requirements should refer to the wider definition of concentration risk.

Reference: PII.pdf, Page 14

C-1918

Description: Each bank should perform a detailedrisk analysis specific to the Real Estate exposures (RE) of the bank and the Central Bank re Standards for Real Estate Exposures (Notice No.

Reference: PII.pdf, Page 14

C-1919

Description: Credit concentration risk is a key prudential risk for which the capital requirement is at the discretion of banks, and it should be held under Pillar 2.

Reference: PII.pdf, Page 14

C-1924

Description: requirement is at the discretion of banks, and it should be held under Pillar 2.

Reference: PII.pdf, Page 14

C-1938

Description: The measurement process should be based upon several existing Standards and

Reference: PII.pdf, Page 15

C-1946

Description: The capital requirement should be aggregated across all currencies and scenarios

Reference: PII.pdf, Page 15

C-1955

Description: Each bank should manage model risk in accordance to the Central Bank Model Management Standards and Guidance.

Reference: PII.pdf, Page 15

C-1973

Description: CBUAE Classification: Public Position Standard units (kg) Maturity Long 128 4 months Short -160 5 months Long 96 13 months Short -96 4 years Firstly, calculate the current value for these positons in the reporting currency.

Reference: PI.pdf, Page 117

C-1975

Description: Long 128 4 months Short -160 5 months Long 96 13 months Short -96 4 years Step 1: First express each commodity position in terms of the standard unit of measurement, and value in the reporting currency at the current spot price.

Reference: PI.pdf, Page 118

C-1980

Description: The Standards requires that a bank should apply netting only when it can satisfy the

Reference: PI.pdf, Page 37

C-1981

Description: The Standards requires that a bank should apply netting only when it can satisfy the Central Bank that netting is appropriate, according to the specific requirements established in the

Reference: PI.pdf, Page 37

C-1982

Description: Banks should recognize that this requirement would likely be difficult to meet in the

Reference: PI.pdf, Page 37

C-1983

Description: Banks should recognize that this requirement would likely be difficult to meet in the case of trades conducted in jurisdictions lacking clear legal recognition of netting, which at present

Reference: PI.pdf, Page 37

C-1986

Description: Central Bank that netting is appropriate, according to the specific requirements established in the Standards.

Reference: PI.pdf, Page 37

C-1992

Description: If a bank believes that use of a different definition of one year is appropriate, or would significantly reduce its compliance

Reference: PI.pdf, Page 39

C-2001

Description: The ICAAP report is required to address models used to comply with regulatory and

Reference: PII.pdf, Page 31

C-2015

Description: actions emanating from internal audits, external audits, risk management assessments, capital management reviews, Central Bank examinations, and Pillar 3, etc.), including the status of official actions; (b) Key items which warrant immediate Central Bank attention, such asa projected shortfall in regulatory minimum capital amount; a breach in outlier status under IRRBB, and any other material risks; (c) A list of the major changes compared to the previous ICAAP report, e.g.

Reference: PII.pdf, Page 32

C-2016

Description: (b) Key items which warrant immediate Central Bank attention, such asa projected shortfall in regulatory minimum capital amount; a breach in outlier status under IRRBB, and any other material risks; (c) A list of the major changes compared to the previous ICAAP report, e.g.

Reference: PII.pdf, Page 32

C-2039

Description: Question 6: The guidance requires that the bank's internal audit/ compliance departments perform regular reviews to ensure the PSE and GRE classification complies with the

Reference: PI.pdf, Page 32

C-2042

Description: The frequency of internal audit/compliance should be commensurate with the bank's size, the

Reference: PI.pdf, Page 32

C-2044

Description: Claims on Corporates Question 9: Should loans to High Net Worth Individuals (HNIs) be reported under claims in regulatory retail portfolio or claims on corporate?

Reference: PI.pdf, Page 33

C-2050

Description: SME exposures fulfilling all of four retail criteria as stated in Section III G of the Credit Risk Standard are reported under “claims on retail”.

Reference: PI.pdf, Page 33

C-2051

Description: as stated in Section III G of the Credit Risk Standard are reported under “claims on retail”.

Reference: PI.pdf, Page 33

C-2063

Description: (x) A method to calibrate capital needs to the current and expected levels of risks, in coherence with the bank’s risk appetite, business plan, and strategy; (xi) It should include the likely future constraints on the availability and the use of capital; and (xii) Any future regulatory and accounting changes that can potentially impact such plan.

Reference: PII.pdf, Page 9

C-2064

Description: in coherence with the bank’s risk appetite, business plan, and strategy; (xi) It should include the likely future constraints on the availability and the use of capital; and (xii) Any future regulatory and accounting changes that can potentially impact such plan.

Reference: PII.pdf, Page 9

C-2065

Description: Banks should 156

CBUAE Classification: Public fulfill the minimum capital requirements plus capital buffer requirements under business as usual (BAU) conditions.

Reference: PII.pdf, Page 9

C-2067

Description: Under stress testing (ST) banks should fulfill the minimum capital requirements without the requirement to meet buffer requirements.

Reference: PII.pdf, Page 9

C-2161

Description: Each bank should assess all its credit exposures and determine whether the risk weights applied to such exposures under the regulatory standardised approach for credit risk (Standardised Approach) are appropriate for the inherent risk of the exposures.

Reference: PII.pdf, Page 12

C-2166

Description: To ensure that each bank has sufficient capital allocated for credit risk, each bank should compare their capital consumption under two methods for all credit exposures across all asset classes: (i) the Standardised Approach and (ii) an estimation under the foundation internal-rating based approach (F-IRB) in the Basel Framework ("IRB approach: risk weight functions", CRE31).

Reference: PII.pdf, Page 12

C-2168

Description: should compare their capital consumption under two methods for all credit exposures across all asset classes: (i) the Standardised Approach and (ii) an estimation under the foundation internal-rating based approach (F-IRB) in the Basel Framework ("IRB approach: risk weight functions", CRE31).

Reference: PII.pdf, Page 12

C-2179

Description: Under its ICAAP, each bank should assess its capital adequacy for market risk by considering methods other than the regulatory standardised approach for market risk.

Reference: PII.pdf, Page 12

C-2193

Description: Operational risk is a recurrent and a material source of losses for many banks but the existing approaches (the Basic Indicator Approach (BIA), the Standardised Approach (SA), and the Alternative Standardised Approach (ASA)) for calculating Pillar 1 operational risk capital may not reliably reflect the nature and scale of potential operational risk losses.

Reference: PII.pdf, Page 13

C-2194

Description: and the Alternative Standardised Approach (ASA)) for calculating Pillar 1 operational risk capital may not reliably reflect the nature and scale of potential operational risk losses.

Reference: PII.pdf, Page 13

C-2195

Description: Therefore, banks should ensure that their Pillar 2 capital charge covers operational risks that are not captured by regulatory capital methodologies.

Reference: PII.pdf, Page 13

C-2288

Description: Under the Standards, a bank may infer a rating for an unrated position from an externally rated "reference exposure" for purposes of the SEC-ERBA provided that the reference

Reference: PI.pdf, Page 94

C-2290

Description: Under the Standards, a bank may infer a rating for an unrated position from an externally rated "reference exposure" for purposes of the SEC-ERBA provided that the reference securitisation exposure ranks pari passu or is subordinate in all respects to the unrated securitisation exposure.

Reference: PI.pdf, Page 94

C-2307

Description: Simple, Transparent, and Comparable Criteria In general, to qualify for treatment as simple, transparent, and comparable (STC), a securitisation must meet all of the criteria specified in the Standards, including the Appendix to

Reference: PI.pdf, Page 94

C-2335

Description: In other cases, the following requirements apply: (i) In circumstances where the borrower has a specific rating for an issued debt claim, but the bank's exposure does not relate to this particular rated claim, a high-quality credit rating (that is, one that maps to a risk weight lower than the risk weight that would apply to an unrated claim) on that specific issue may only be applied to the bank's un-assessed exposure if the exposure ranks pari passu with or senior to the rated issue in all respects.

Reference: PI.pdf, Page 144

C-2349

Description: The Central Bank will evaluate potential additional ECAIs against the eligibility requirements in this Guidance, under procedures established by the Central Bank.

Reference: PI.pdf, Page 145

C-2360

Description: The ECAI should provide evidence, subject to Central Bank review, that the ECAI meets all of the eligibility criteria described above in this Guidance, including full compliance with

Reference: PI.pdf, Page 145

C-2377

Description: The methodology and scope of such stress tests should be designed to address the specific risk profile of each bank, and will thus differ from regulatory stress tests.

Reference: PII.pdf, Page 19

C-2656

Description: Hedging sets for derivatives that reference the volatility of a risk factor (volatility transactions) must follow the same hedging set construction outlined in the Standards for

Reference: PI.pdf, Page 40

C-2657

Description: transactions) must follow the same hedging set construction outlined in the Standards for derivatives in that asset class; for example, all equity volatility transactions form a single hedging set.

Reference: PI.pdf, Page 40

C-2669

Description: The wording used must be in accordance with that in the Capital Standards/ Guidance.

Reference: PI.pdf, Page 18

C-2670

Description: The text should avoid making references to 'as determined by the bank' or to regulatory

Reference: PI.pdf, Page 18

C-2671

Description: All requirements must be fulfilled at any time.

Reference: PI.pdf, Page 18

C-2675

Description: instrument can occur on optional call regulatory call, or tax call. Changes must be legally

Reference: PI.pdf, Page 18

C-2677

Description: Every instrument with changed terms and conditions need to be re-approved by the Central Bank by applying Stage 2 of the Approval Process in Appendix B of the Tier Capital Instruments Standard (Stage 1 of the Approval Process can be omitted in this case).

Reference: PI.pdf, Page 18

C-2689

Description: actually apply (e.g. 'it is expected that', 'if required by the regulation', etc.). Terms and conditions must be worded clearly.

Reference: PI.pdf, Page 18

C-2729

Description: CBUAE Classification: Public External credit assessments used for the SEC-ERBA must be from an eligible external credit assessment institution (ECAI) as recognized by the Central Bank in accordance with the Central Bank standards on rating agency recognition.

Reference: PI.pdf, Page 93

C-2730

Description: However, the securitisation Standards additionally requires that the credit assessment, procedures, methodologies, assumptions and the key elements underlying the assessments must be publicly available, on a non-selective basis

Reference: PI.pdf, Page 93

C-2757

Description: consistent with international standards, subject to possible adjustments to take into account local practices or institutional or market conditions; (v) The rating methodology for each market segment, including rigorous back testing, must have been established for at least one year and preferably three years; (vi) All rating decisions should be made based on the ECAI's established criteria and

Reference: PI.pdf, Page 140

C-2824

Description: However, the bank should be consistent in its approach, and should not apply this process in a way that might reduce exposure for the CVA calculation relative to the treatment stated in the standards.

Reference: PI.pdf, Page 77

C-2831

Description: Banks should apply the requirements for valid netting agreements as stated in the Central Bank's

Reference: PI.pdf, Page 77

C-2832

Description: Banks should apply the requirements for valid netting agreements as stated in the Central Bank's Standards for Counterparty Credit Risk to determine whether netting is valid in any particular case, rather than using broad categorical criteria.

Reference: PI.pdf, Page 77

C-2838

Description: Question 19: Should we multiply the sum of replacement cost and potential future exposure by the same 1.4 scaling factor used in the SA-CCR standards issued by Central Bank?

Reference: PI.pdf, Page 77

C-2844

Description: The bank's calculation of CVA capital must use the formula in the Standards:

Reference: PI.pdf, Page 78

C-2846

Description: =2.33√95.06+182.52+11.41=2.33√288.99=39.61 In the final step, the bank must compute RWA for CVA using the multiplicative factor of 12.5 as required in the Standards: CVA RWA = K × 12.5 = 39.61 × 12.5 = 495.16 B.

Reference: PI.pdf, Page 79

C-2966

Description: Currently CCyB is not applicable in UAE but if banks in UAE have branches in other countries this needs to be reported if CCyB is being reported as per that foreign country's regulations.

Reference: PIII.pdf, Page 11

C-2970

Description: Pillar 1 capital requirements at the reporting date will normally be RWA*10.5% but may differ

Reference: PIII.pdf, Page 11

C-2972

Description: Pillar 1 capital requirements at the reporting date will normally be RWA*10.5% but may differ if a floor is applicable or adjustments (such as scaling factors).

Reference: PIII.pdf, Page 11

C-2983

Description: In designing the UAE leverage ratio framework, the Central Bank considered the full evolution of the BCBS leverage ratio, including consultative frameworks, reporting requirements, and comments raised by banks and industry bodies across the globe.

Reference: PIII.pdf, Page 14

C-2984

Description: The Central Bank's Standards for Leverage Ratio is based closely on the requirements articulated by the BCBS in the document Basel III: Finalising post-crisis reforms, December

Reference: PIII.pdf, Page 14

C-2985

Description: This Guidance should be read in conjunction with the Central Bank's Standards on

Reference: PIII.pdf, Page 14

C-2986

Description: evolution of the BCBS leverage ratio, including consultative frameworks, reporting requirements, and comments raised by banks and industry bodies across the globe.

Reference: PIII.pdf, Page 14

C-2987

Description: This Guidance should be read in conjunction with the Central Bank's Standards on Leverage Ratio, as it is intended to provide clarification of the requirements of that Standards,

Reference: PIII.pdf, Page 14

C-2989

Description: The minimum requirement for the leverage ratio is established in the Central Bank's

Reference: PIII.pdf, Page 15

C-2990

Description: The minimum requirement for the leverage ratio is established in the Central Bank's Regulations Re Capital Adequacy.

Reference: PIII.pdf, Page 15

C-2991

Description: The Standards includes the possibility that the Central Bank may consider temporarily exempting certain central bank "reserves" from the leverage ratio exposure measure to facilitate the implementation of monetary policies in exceptional macroeconomic

Reference: PIII.pdf, Page 15

C-2993

Description: Certain other jurisdictions have pursued monetary policies that resulted in a significant expansion of such bank balances at the Central Bank, for example through policies commonly described as "quantitative easing." While the Central Bank has no plan to implement such policies, the inclusion of this flexibility in the Standards

Reference: PIII.pdf, Page 15

C-2995

Description: For example, if proportional consolidation is applied for regulatory consolidation under the risk-based framework, the same criteria shall be applied for leverage

Reference: PIII.pdf, Page 15

C-3001

Description: If, under a bank's operative accounting standards, there is no accounting measure of exposure for certain derivative instruments because they are held (completely) off balance sheet, the bank must use the sum of positive fair values of these derivatives as the

Reference: PIII.pdf, Page 17

C-3095

Description: Tier Capital Supply Introduction This guidance explains how banks can comply with the Tier Capital Supply Standard.

Reference: PI.pdf, Page 2

C-3096

Description: It must be read in conjunction with the Capital Regulation and Standards for Capital

Reference: PI.pdf, Page 2

C-3097

Description: It must be read in conjunction with the Capital Regulation and Standards for Capital Adequacy of Banks in the UAE.

Reference: PI.pdf, Page 2

C-3098

Description: Guidance regarding Minimum Capital Requirement and Capital buffer as stated in the document have to be followed by all banks for the

Reference: PI.pdf, Page 2

C-3100

Description: To help and ensure a consistent and transparent implementation of Capital supply standards, Central Bank will review and update this guidance document periodically.

Reference: PI.pdf, Page 2

C-3117

Description: Prudential filter: Partial addback of ECL in accordance with the Regulation Regarding Accounting Provisions and Capital Requirements - Transitional Arrangements should be

Reference: PI.pdf, Page 3

C-3119

Description: Amount exceeding Large Exposure threshold: Any amount that is in violation of Large Exposure regulation of notice 300/2013 shall be deducted from the capital.

Reference: PI.pdf, Page 4

C-3123

Description: Loans to directors: The circular 83/2019 on Corporate Governance regulations for Banks, under the article (6) "Transaction with Related parties" requires if the transaction with the related parties are not provided on arm's length basis, then on

Reference: PI.pdf, Page 4

C-3125

Description: Loans to directors: The circular 83/2019 on Corporate Governance regulations for Banks, under the article (6) "Transaction with Related parties" requires if the transaction with the related parties are not provided on arm's length basis, then on general or case by case basis, deduct such exposure from capital.

Reference: PI.pdf, Page 4

C-3174

Description: That process should be subject to internal review and challenge per the Standards.

Reference: PI.pdf, Page 46

C-3179

Description: Banks should apply the standard supervisory haircuts from the capital framework.

Reference: PI.pdf, Page 46

C-3186

Description: Question D2: The Standards states that the Supervisory Delta for a short position (one that is not an option or CDO) should be -1.

Reference: PI.pdf, Page 47

C-3196

Description: Banks should apply the standardised formulas for the CCR calculations, including the Supervisory

Reference: PI.pdf, Page 48

C-3198

Description: Banks should apply the standardised formulas for the CCR calculations, including the Supervisory Delta adjustment for all options.

Reference: PI.pdf, Page 48

C-3199

Description: Many other aspects of the Standardised Approach use approximations, such as the assumption that a single correlation should be used for all commodity derivatives, or the use of a single volatility for all FX options.

Reference: PI.pdf, Page 48

C-3601

Description: Frequently Asked Questions Question 1: When will the Standards, Guidance and Template with regards to Solo reporting be

Reference: PI.pdf, Page 6

C-3816

Description: The Standards requires a bank to establish appropriate governance processes for the

Reference: PI.pdf, Page 42

C-3817

Description: The Standards requires a bank to establish appropriate governance processes for the creation and maintenance of the list of defined commodity types used by the bank for CCR calculations, with clear definitions and independent internal review or validation processes to

Reference: PI.pdf, Page 42

C-3818

Description: The Standards requires a bank to establish appropriate governance processes for the creation and maintenance of the list of defined commodity types used by the bank for CCR calculations, with clear definitions and independent internal review or validation processes to ensure that commodities grouped as a single type are in fact similar.

Reference: PI.pdf, Page 42

C-3820

Description: Trades within the same commodity hedging set (Energy, Metals, Agriculture, and Other) enjoy partial offsetting through the use of correlation values established in the Standards, with

Reference: PI.pdf, Page 42

C-3987

Description: The ICAAP report should describe the following with regard to internal control functions: (i) The responsibilities of Internal Audit and Compliance concerning risk

Reference: PII.pdf, Page 30

C-3988

Description: The ICAAP report should describe the following with regard to internal control functions: (i) The responsibilities of Internal Audit and Compliance concerning risk management; (ii) Any relevant internal and external audit reviews of risk management and the

Reference: PII.pdf, Page 30

C-3989

Description: to internal control functions: (i) The responsibilities of Internal Audit and Compliance concerning risk management; (ii) Any relevant internal and external audit reviews of risk management and the conclusions reached; and (iii) Outsourcing arrangements that have a material effect on internal capital adequacy management, if any.

Reference: PII.pdf, Page 30

C-4093

Description: Question 1: When will the Standards, Guidance and Template with regards to Solo reporting be issued by the Central Bank?

Reference: PI.pdf, Page 5

Data Protection

C-44

Description: Stress Testing Scenarios: The Stress Testing should be submitted in form of a presentation including the underlying data in

Reference: PI.pdf, Page 21

C-86

Description: Banks that have information that would lead to the addition (or removal) of an entity to (or from) the GRE list must submit such information to the Central Bank.

Reference: PI.pdf, Page 25

C-89

Description: an entity to (or from) the GRE list must submit such information to the Central Bank.

Reference: PI.pdf, Page 25

C-98

Description: Treatment of Interest Rate Derivatives The interest rate risk measurement system should include all interest rate derivatives and off-balance sheet instruments assigned to the trading book that are sensitive to changes in interest rates.

Reference: PI.pdf, Page 102

C-122

Description: A few elements also draw on clarifications and other information provided in BCBS publications

Reference: PI.pdf, Page 67

C-138

Description: However, in the wake of the 2007–09 financial crisis, it became apparent that the existing Pillar 3 framework failed to promote the identification of a bank's material risks and did not provide sufficient, and sufficiently comparable, information to enable market participants to assess a bank's overall capital adequacy and to compare it with its peers.

Reference: PIII.pdf, Page 2

C-140

Description: to promote the identification of a bank's material risks and did not provide sufficient, and sufficiently comparable, information to enable market participants to assess a bank's overall capital adequacy and to compare it with its peers.

Reference: PIII.pdf, Page 2

C-160

Description: quarterly, semi-annual or annual) relating to prior reporting periods (past 5 years' data) Frequency and timing of disclosures 8.

Reference: PIII.pdf, Page 3

C-177

Description: The information provided by banks under Pillar 3 should be subject, at a minimum, to the

Reference: PIII.pdf, Page 3

C-179

Description: The information provided by banks under Pillar 3 should be subject, at a minimum, to the same level of internal review and internal control processes as the information provided by banks

Reference: PIII.pdf, Page 3

C-181

Description: the level of assurance should be the same as for information

Reference: PIII.pdf, Page 3

C-188

Description: Banks should also have a formal board-approved disclosure policy for Pillar 3 information

Reference: PIII.pdf, Page 4

C-193

Description: The board of directors and senior management are responsible for establishing and maintaining an effective internal control structure over the disclosure of financial information, including Pillar 3 disclosures.

Reference: PIII.pdf, Page 4

C-197

Description: In exceptional cases, disclosure of certain items required by Pillar 3 may reveal the position of a bank or contravene its legal obligations by making public information that is proprietary or confidential in nature.

Reference: PIII.pdf, Page 4

C-198

Description: The Central Bank will review the information and provide approval if the bank does

Reference: PIII.pdf, Page 4

C-199

Description: The Central Bank will review the information and provide approval if the bank does not need to disclose those specific items, but should disclose more general information about the

Reference: PIII.pdf, Page 4

C-200

Description: The bank should also explain to Central Bank the specific items of information that cannot be disclosed and the reasons for this.

Reference: PIII.pdf, Page 4

C-201

Description: not need to disclose those specific items, but should disclose more general information about the subject matter of the requirement instead.

Reference: PIII.pdf, Page 4

C-203

Description: specific items of information that cannot be disclosed and the reasons for this.

Reference: PIII.pdf, Page 4

C-213

Description: Related risk information should be presented together.

Reference: PIII.pdf, Page 4

C-217

Description: Disclosures should provide sufficient information in both qualitative and quantitative terms on a

Reference: PIII.pdf, Page 4

C-218

Description: Disclosures should provide sufficient information in both qualitative and quantitative terms on a bank's processes and procedures for identifying, measuring and managing those risks.

Reference: PIII.pdf, Page 4

C-224

Description: Principle 3: Disclosures should be meaningful to users Disclosures should highlight a bank's most significant current and emerging risks and how those risks are managed, including information that is likely to receive market attention.

Reference: PIII.pdf, Page 5

C-226

Description: Disclosures that do not add value to users' understanding or do not communicate useful information should be avoided.

Reference: PIII.pdf, Page 5

C-227

Description: Furthermore, information, which is no longer meaningful or relevant to users, should be removed.

Reference: PIII.pdf, Page 5

C-232

Description: useful information should be avoided.

Reference: PIII.pdf, Page 5

C-239

Description: Templates should be completed with quantitative data in accordance with the definitions provided.

Reference: PIII.pdf, Page 5

C-241

Description: In line with Principle 3 above, the information provided in the templates and tables should

Reference: PIII.pdf, Page 5

C-252

Description: A well-designed reverse stress test should also include enough diagnostic information to allow the identification

Reference: PII.pdf, Page 21

C-253

Description: A well-designed reverse stress test should also include enough diagnostic information to allow the identification of the sources of potential failure.

Reference: PII.pdf, Page 21

C-286

Description: In addition, the review should cover the integrity and validity of regulatory data

Reference: PII.pdf, Page 23

C-287

Description: In addition, the review should cover the integrity and validity of regulatory data submitted to the Central Bank during the course of the year relating to Pillar 1 capital

Reference: PII.pdf, Page 23

C-528

Description: This information should be available to the Central Bank upon request.

Reference: PI.pdf, Page 123

C-529

Description: Banks sometimes outsource certain activities, such as processing and maintaining data

Reference: PI.pdf, Page 124

C-530

Description: Banks sometimes outsource certain activities, such as processing and maintaining data on loan collection services to external service providers.

Reference: PI.pdf, Page 124

C-762

Description: If the quarterly income is audited, the bank should use the quarterly data, which means the same

Reference: PI.pdf, Page 130

C-763

Description: If the quarterly income is audited, the bank should use the quarterly data, which means the same quarter in the previous two years needs to be taken into consideration or else, the yearly audited data needs to be incorporated The standards state only audited numbers need to be used and as such, if the current year's income is audited, it can be used as part of the computation Question 16: Elaboration of definition and scope of Operational Risk should be helpful.

Reference: PI.pdf, Page 130

C-769

Description: In such circumstances, however, the bank will be required to explain in a narrative commentary why it considers such information not to be meaningful to users.

Reference: PIII.pdf, Page 6

C-779

Description: Where the format of a template is described as flexible, banks may present the required information either in the format provided in this guidance or in one that better suits the bank.

Reference: PIII.pdf, Page 6

C-781

Description: However, where a customized presentation of the information is used, the bank should

Reference: PIII.pdf, Page 6

C-782

Description: However, where a customized presentation of the information is used, the bank should provide information comparable with that required in the disclosure requirement (i.e.

Reference: PIII.pdf, Page 6

C-784

Description: information either in the format provided in this guidance or in one that better suits the bank.

Reference: PIII.pdf, Page 6

C-787

Description: provide information comparable with that required in the disclosure requirement (i.e.

Reference: PIII.pdf, Page 6

C-801

Description: Banks can only make use of signposting to another document if the level of assurance on the reliability of data in the separate document are equivalent to, or greater than, the internal

Reference: PIII.pdf, Page 6

C-804

Description: Banks are expected to supplement the quantitative information provided in both fixed and

Reference: PIII.pdf, Page 6

C-807

Description: Disclosure of additional quantitative and qualitative information will provide market

Reference: PIII.pdf, Page 6

C-809

Description: Disclosure of additional quantitative and qualitative information will provide market participants with a broader picture of a bank´s risk position and promote market discipline.

Reference: PIII.pdf, Page 6

C-812

Description: Additional quantitative information that banks choose to disclose should provide sufficient

Reference: PIII.pdf, Page 6

C-813

Description: Additional quantitative information that banks choose to disclose should provide sufficient meaningful information to enable market participants to understand and analyze any figures provided.

Reference: PIII.pdf, Page 6

C-816

Description: meaningful information to enable market participants to understand and analyze any figures provided.

Reference: PIII.pdf, Page 7

C-885

Description: The BCBS review was undertaken to clarify the existing treatment of such exposures in the Basel II capital adequacy framework and to achieve a more internationally consistent and risk-sensitive capital treatment for banks' investments in the equity of funds, reflecting both the risk of the fund's underlying investments and its leverage.

Reference: PI.pdf, Page 81

C-890

Description: Banks employing the MBA assign risk weights on the basis of the information contained in a fund's mandate or in relevant regulations, national legislation, or other similar rules under which the fund is required to operate; and The "fall-back approach" (FBA): When neither of the above approaches is feasible, the FBA must be used.

Reference: PI.pdf, Page 81

C-902

Description: However, where this is not possible due to constraints on available information, the evaluation can be based on the accounting standards applied by the investment fund, provided the treatment of the

Reference: PI.pdf, Page 83

C-925

Description: As part of the Supervisory Review and Evaluation Process (SREP), the Central Bank analyses the capitalisation levels of banks among other information, referring to the results of the ICAAP with regard to the internal view of capital adequacy.

Reference: PII.pdf, Page 2

C-942

Description: Each bank should be in a position to justify their decisions and modelling choices with historical data and benchmarking across a range of practices, which will be subject to supervisory scrutiny.

Reference: PII.pdf, Page 3

C-996

Description: The ICAAP should be supported by robust methodologies and data.

Reference: PII.pdf, Page 5

C-1000

Description: The data employed in the ICAAP should be comprehensive, reliable, follow rigorous quality checks, and control mechanisms.

Reference: PII.pdf, Page 5

C-1138

Description: In particular, ECAIs should assign analysts with appropriate knowledge and experience to assess the creditworthiness of the type of entity or obligation being rated; and (ii) With respect to technical resources, an ECAI is expected to apply quantitative techniques and models that can appropriately process and analyze the quantities of data required to support the rating process.

Reference: PI.pdf, Page 141

C-1153

Description: Based on available information regarding the rating processes of these ECAIs, the Central Bank has established the correspondence shown in Table 1 between the long-term rating scales

Reference: PI.pdf, Page 142

C-1155

Description: Based on available information regarding the rating processes of these ECAIs, the Central Bank has established the correspondence shown in Table 2 between the short-term rating scales of the eligible ECAIs.

Reference: PI.pdf, Page 143

C-1253

Description: To establish that an ECAI fulfils this primary component of eligibility criteria, it must demonstrate that it meets the following minimum standards: (i) The ECAI has established rating definitions, criteria, and methodologies, and apply them consistently; (ii) The ECAI should have a robust procedure of rating assignment based on published information, market data, interviews with management, and/or other sources of information that provide a sound basis for purposes of assigning the ratings;

Reference: PI.pdf, Page 138

C-1254

Description: that it meets the following minimum standards: (i) The ECAI has established rating definitions, criteria, and methodologies, and apply them consistently; (ii) The ECAI should have a robust procedure of rating assignment based on published information, market data, interviews with management, and/or other sources of information that provide a sound basis for purposes of assigning the ratings; (iii) When assigning risk ratings, the ECAI should take into account all major features of

Reference: PI.pdf, Page 138

C-1255

Description: (i) The ECAI has established rating definitions, criteria, and methodologies, and apply them consistently; (ii) The ECAI should have a robust procedure of rating assignment based on published information, market data, interviews with management, and/or other sources of information that provide a sound basis for purposes of assigning the ratings; (iii) When assigning risk ratings, the ECAI should take into account all major features of credit quality that are relevant under the ECAI's applicable methodology, and should

Reference: PI.pdf, Page 138

C-1286

Description: The individual ratings, the key elements underlying the ratings, and whether the issuer participated in the rating process should be information that is publicly available on a non-selective

Reference: PI.pdf, Page 140

C-1287

Description: In order to promote transparency and enable stakeholders to make decisions about the appropriateness of its credit rating methods, an ECAI should disclose sufficient information (e.g.,

Reference: PI.pdf, Page 140

C-1288

Description: In order to promote transparency and enable stakeholders to make decisions about the appropriateness of its credit rating methods, an ECAI should disclose sufficient information (e.g., rating definition, methods of arriving at the rating, rating process, time horizon of the rating, and the surveillance and review procedure) to facilitate such decisions.

Reference: PI.pdf, Page 140

C-1289

Description: participated in the rating process should be information that is publicly available on a non-selective basis.

Reference: PI.pdf, Page 140

C-1292

Description: appropriateness of its credit rating methods, an ECAI should disclose sufficient information (e.g., rating definition, methods of arriving at the rating, rating process, time horizon of the rating, and the surveillance and review procedure) to facilitate such decisions.

Reference: PI.pdf, Page 140

C-1293

Description: When disclosing a rating, the information should be clearly worded, and should indicate the nature of

Reference: PI.pdf, Page 140

C-1295

Description: When disclosing a rating, the information should be clearly worded, and should indicate the nature of the rating and relevant limitations, while providing appropriate warning to users of the potential danger of unduly relying on the rating to make investment or other decisions.

Reference: PI.pdf, Page 140

C-1299

Description: At a minimum, the ECAI is expected to make public the following information: Code of conduct;

Reference: PI.pdf, Page 140

C-1350

Description: In line with Principle 3 above, the information provided in the templates and tables should be meaningful to users.

Reference: PIII.pdf, Page 6

C-1476

Description: However, where this is not possible due to constraints on available information, the evaluation can be based on the accounting standards applied by the investment fund, provided the treatment of the numerator (RWA) and the denominator (total unweighted assets) is consistent.

Reference: PI.pdf, Page 83

C-1500

Description: Question 5: If a bank relies on a third-party information provider for information used to

Reference: PI.pdf, Page 85

C-1559

Description: A risk weight of 75% may be applied by banks that do not hold information regarding LTVs for individual exposures For residential exposures that meet the criteria for regulatory retail claims and have an LTV greater than 85%, the 75% risk weight must be applied to the whole loan, i.e.

Reference: PI.pdf, Page 27

C-1753

Description: the bank should explain how the capital adequacy would be ensured/ restored (e.g.

Reference: PII.pdf, Page 8

C-1914

Description: Each bank should undertake quantitative stress testing based on its historical loss data

Reference: PII.pdf, Page 14

C-1926

Description: Data should be aggregated across systems operated by different business units or entities.

Reference: PII.pdf, Page 14

C-1927

Description: This should be indicated through the bank's management information system (MIS); (ii) For the purpose of estimating the Pillar 2 capital associated with credit concentration risk, each bank should build upon the methodologies employed

Reference: PII.pdf, Page 14

C-1942

Description: The quantitative impact analysis should be supported by description and analysis of the key assumptions made by the bank, in particular, assumptions regarding loan prepayments, the behaviour of non-maturity deposits (CASA), non-rated sensitive assets, contractual interest rate ceilings or floors for adjustable-rate items, and measuring the frequency of the interest rate risk in the banking book.

Reference: PII.pdf, Page 15

C-2038

Description: If banks have information that would lead to changes to of the GRE List, banks should inform the Central Bank accordingly.

Reference: PI.pdf, Page 32

C-2094

Description: Each bank should identify the owner of such methodology either within the team responsible to manage risks or with a centralised team responsible for aggregating risk information and to construct the ICAAP.

Reference: PII.pdf, Page 9

C-2102

Description: To ensure an adequate assessment of high quality, each bank should establish, and implement an effective data quality framework, to deploy adequate processes, and control

Reference: PII.pdf, Page 10

C-2106

Description: This analysis should consider the sources and levels of income and expenses; and (iv) The ability of the bank to deliver total financial data across the group and for each of its key business units (includes forward-looking performance and

Reference: PII.pdf, Page 10

C-2107

Description: (iv) The ability of the bank to deliver total financial data across the group and for each of its key business units (includes forward-looking performance and profitability).

Reference: PII.pdf, Page 10

C-2351

Description: Banks that identify potential additional ECAIs for consideration by the Central Bank must provide information about the ECAI that would allow an appropriate evaluation by the Central

Reference: PI.pdf, Page 145

C-2357

Description: provide information about the ECAI that would allow an appropriate evaluation by the Central Bank according to this Guidance.

Reference: PI.pdf, Page 145

C-2358

Description: In such cases, theECAI must provide detailed information that would allow a complete evaluation by the Central Bank under

Reference: PI.pdf, Page 145

C-2486

Description: Each bank should also consider the quality of its model risk management in the model risk analysis, including but not limited to the quality of model documentation, data,

Reference: PII.pdf, Page 17

C-2487

Description: Each bank should also consider the quality of its model risk management in the model risk analysis, including but not limited to the quality of model documentation, data, assumptions, validation, staff, implementation, and usage.

Reference: PII.pdf, Page 17

C-2516

Description: risk analysis, including but not limited to the quality of model documentation, data, assumptions, validation, staff, implementation, and usage.

Reference: PII.pdf, Page 16

C-3974

Description: CBUAE Classification: Public approved; (iv) Processes to effectively identify and review the changes in risks arising from the bank's strategy, business model, new products, and changes in the economic environment; (v) Capital contingency plans for surviving unexpected events; (vi) Risk management information systems (MIS) that ensure:

Reference: PII.pdf, Page 30

C-3975

Description: That the bank distributes regular, accurate, and timely information on the bank's aggregate risk profile internally; The appropriate frequency and distribution of risk management information; Early warning processes for pre-empting capital limit breaches; and Internal decision-making process are facilitated to allow the bank's management to authorize remedial actions before capital adequacy is

Reference: PII.pdf, Page 30

C-3976

Description: information; Early warning processes for pre-empting capital limit breaches; and Internal decision-making process are facilitated to allow the bank's management to authorize remedial actions before capital adequacy is compromised.

Reference: PII.pdf, Page 30

General Requirements

C-2

Description: Illustration 4: Maintenance Margin Agreement Some margin agreements specify that a counterparty must maintain a level of collateral that is a

Reference: PI.pdf, Page 65

C-3

Description: Illustration 4: Maintenance Margin Agreement Some margin agreements specify that a counterparty must maintain a level of collateral that is a fixed percentage of the mark-to-market (MtM) of the transactions in the netting set.

Reference: PI.pdf, Page 65

C-4

Description: For this type of margining agreement, the Independent Collateral Amount (ICA) is the percentage of MtM that the counterparty must maintain above the net MtM of the transactions covered by the margin

Reference: PI.pdf, Page 65

C-5

Description: For example, suppose the agreement states that a counterparty must maintain a

Reference: PI.pdf, Page 65

C-6

Description: For example, suppose the agreement states that a counterparty must maintain a collateral balance of at least 140% of the MtM of its transactions.

Reference: PI.pdf, Page 65

C-9

Description: The purpose of the Basel III CVA capital charge is to ensure that bank capital provides adequate

Reference: PI.pdf, Page 65

C-12

Description: Banks must use either:

Reference: PI.pdf, Page 65

C-13

Description: The Central Bank is fully aware of the BCBS view that CVA risk cannot be modelled by

Reference: PI.pdf, Page 65

C-14

Description: as claims on commercial properties and the risk weight of the properties shall be 100%.

Reference: PI.pdf, Page 34

C-19

Description: The bank must classify the bond based on the entity classification (Claim on Corporate) and

Reference: PI.pdf, Page 34

C-20

Description: The guarantee should be used for credit risk mitigation

Reference: PI.pdf, Page 34

C-21

Description: The guarantee should be used for credit risk mitigation by substituting the risk weight of the bond using the claims on sovereign mapping table (e.g.

Reference: PI.pdf, Page 34

C-24

Description: For using CCF of 0%, please provide explanation on being cancellable at any time without prior notice.

Reference: PI.pdf, Page 34

C-25

Description: Majority of the unconditionally cancellable commitments are subject to certain contractual conditions, which in practice may not render them as unconditionally cancelled and thereby do

Reference: PI.pdf, Page 34

C-26

Description: provide for automatic cancellation due to deterioration in a borrower's creditworthiness must be converted into credit exposure equivalents using CCF of 0%".

Reference: PI.pdf, Page 34

C-27

Description: Majority of the unconditionally cancellable commitments are subject to certain contractual conditions, which in practice may not render them as unconditionally cancelled and thereby do not qualify them for 0% CCF, implying that all the off-balancesheet items bear a risk to the bank.

Reference: PI.pdf, Page 34

C-28

Description: Bank shall conduct a formal review of the commitments at regular intervals to ensure that

Reference: PI.pdf, Page 34

C-29

Description: Bank shall conduct a formal review of the commitments at regular intervals to ensure that commitments can be cancelled from a legal and practical perspective.

Reference: PI.pdf, Page 34

C-31

Description: collateralization and recognizes a benefit from over-collateralization. It also provides incentives

Reference: PI.pdf, Page 35

C-32

Description: Trade 1 10,000,000 0 3 2.785840471 27,858,405 Trade 2 10,000,000 0 6 5.183635586 51,836,356 Trade 3 10,000,000 0 5 4.423984339 44,239,843 The appropriate supervisory delta must be assigned to each trade: in particular, since Trade 1

Reference: PI.pdf, Page 56

C-33

Description: Trade Adjusted Notional Maturity Factor Delta Effective Notional Trade 1 27,858,405 1 1 27,858,405 Trade 2 51,836,356 -1 1 -51,836,356 Trade 3 44,239,843 1 1 44,239,843 Supervisory Factor The add-on must now be calculated for each entity.

Reference: PI.pdf, Page 56

C-35

Description: The CN-01 form should be completed, filled and signed by the bank's Chief Executive Officer

Reference: PI.pdf, Page 21

C-40

Description: The approval shall relate to an issuance of the specific planned Tier capital instrument

Reference: PI.pdf, Page 21

C-41

Description: The approval shall relate to an issuance of the specific planned Tier capital instrument (Additional Tier 1 or subordinated Tier 2).

Reference: PI.pdf, Page 21

C-42

Description: Moreover, the approval should clearly mention that the instrument is subordinated; coupon payments may not be paid under certain

Reference: PI.pdf, Page 21

C-43

Description: Capital planning and forecast: The Business as Usual (BAU) case should be formulated, such as:

Reference: PI.pdf, Page 21

C-45

Description: Two Scenarios should be provided as part of the presentation:

Reference: PI.pdf, Page 21

C-46

Description: 75% provisioning level b) Central Bank's Macro-Economic Stress Test Assumptions and results of the latest Macroeconomic stress tests performed by the

Reference: PI.pdf, Page 21

C-47

Description: Market Conformity Analysis: The bank has to provide evidence on why the pricing of the

Reference: PI.pdf, Page 22

C-48

Description: Frequently Asked Questions (FAQ) Question 1: The last bullet point mentions “Liability accounted instruments must set the

Reference: PI.pdf, Page 22

C-49

Description: Frequently Asked Questions (FAQ) Question 1: The last bullet point mentions “Liability accounted instruments must set the loss absorption trigger at a level of 7.625%.” Is it Central Bank decision to have this trigger set at 7.625%?

Reference: PI.pdf, Page 22

C-53

Description: Introduction This section provides the guidance for the computation of Credit Risk Weighted Assets

Reference: PI.pdf, Page 23

C-56

Description: A bank must apply risk weights to its on-balance-sheet and off-balance-sheet items using

Reference: PI.pdf, Page 23

C-57

Description: A bank must apply risk weights to its on-balance-sheet and off-balance-sheet items using the risk- weighted assets approach.

Reference: PI.pdf, Page 23

C-58

Description: In general, banks should only use solicited ratings from recognised

Reference: PI.pdf, Page 23

C-60

Description: Note that all exposures subject to the SA should be risk weighted net of specific

Reference: PI.pdf, Page 23

C-61

Description: Note that all exposures subject to the SA should be risk weighted net of specific allowances and interest in suspense.

Reference: PI.pdf, Page 23

C-62

Description: The guidance must be read in conjunction with Securitisation, Equity Investments in Funds, Counterparty Credit Risk and Credit Valuation Guidance.

Reference: PI.pdf, Page 23

C-63

Description: Exposures in the trading book should be captured as part of a bank's market risk capital

Reference: PI.pdf, Page 23

C-64

Description: Banks have transition period of 7 years from the date of implementation for

Reference: PI.pdf, Page 23

C-65

Description: Banks have transition period of 7 years from the date of implementation for exposures to Federal Government that receive a 0% RW, if such exposures are denominated in AED or USD and funded in AED or USD.

Reference: PI.pdf, Page 23

C-66

Description: However, any claim on UAE Federal Government in foreign currency other than USD should be risk weighted according to the published credit risk

Reference: PI.pdf, Page 23

C-67

Description: Banks have transition period of 7 years from the date of implementation for exposures to Emirates Governments that

Reference: PI.pdf, Page 23

C-68

Description: Any claim on Emirates governments in a foreign currency other than USD should be risk weighted

Reference: PI.pdf, Page 23

C-69

Description: All other exposures to sovereigns should be risk weighted according to the sovereign

Reference: PI.pdf, Page 24

C-70

Description: All other exposures to sovereigns should be risk weighted according to the sovereign rating even if the national supervisory authority adopts preferential risk weights.

Reference: PI.pdf, Page 24

C-71

Description: The risk of non-commercial PSE exposures is not equivalent to the risk of sovereign exposures and hence the treatment of claims on sovereigns cannot be applied to non-commercial PSE.

Reference: PI.pdf, Page 24

C-72

Description: If the UAE borrower satisfies the criteria in paragraph 13, the risk weight shall be the same

Reference: PI.pdf, Page 24

C-73

Description: claims on sovereigns cannot be applied to non-commercial PSE.

Reference: PI.pdf, Page 24

C-74

Description: If the UAE borrower satisfies the criteria in paragraph 13, the risk weight shall be the same as that for claims on banks.

Reference: PI.pdf, Page 24

C-75

Description: However, the preferential treatment for short-term claims on banks may not be applied.

Reference: PI.pdf, Page 24

C-78

Description: The Central Bank provides a list (so-called GRE List) to

Reference: PI.pdf, Page 24

C-79

Description: The Central Bank provides a list (so-called GRE List) to all the banks in the UAE which includes non-commercial PSEs.

Reference: PI.pdf, Page 24

C-80

Description: The service provided should be of substantial public benefit

Reference: PI.pdf, Page 24

C-81

Description: The service provided should be of substantial public benefit and the entity should have a monopolistic nature and there should be a significant

Reference: PI.pdf, Page 24

C-82

Description: The service provided should be of substantial public benefit and the entity should have a monopolistic nature and there should be a significant likelihood that the government would not let the entity go bankrupt.

Reference: PI.pdf, Page 24

C-83

Description: Provides internal services to parent or sister companies only, and the parent company is

Reference: PI.pdf, Page 24

C-85

Description: All banks must comply with the latest version of the GRE list for classification and risk

Reference: PI.pdf, Page 25

C-87

Description: All banks must comply with the GRE list unless any addition or removal of entities is reflected in the GRE

Reference: PI.pdf, Page 25

C-91

Description: Claims on multilateral development banks (MDBs) Exposures to MDBs shall in general be treated similar to claim on banks, but without using

Reference: PI.pdf, Page 25

C-92

Description: Claims on multilateral development banks (MDBs) Exposures to MDBs shall in general be treated similar to claim on banks, but without using the preferential treatment for short term claims.

Reference: PI.pdf, Page 25

C-93

Description: a majority of an MDB's external assessments must be AAA;

Reference: PI.pdf, Page 25

C-94

Description: assessments must be AAA; ii.

Reference: PI.pdf, Page 25

C-97

Description: Treatment of Interest Rate Derivatives The interest rate risk measurement system should include all interest rate derivatives and

Reference: PI.pdf, Page 102

C-100

Description: Capital Charges for Equity Risk To calculate the minimum capital charge for equity risk, you must calculate two separate

Reference: PI.pdf, Page 103

C-101

Description: Since banks may hold equities in different national markets, separate calculations for general and specific risk must be carried out for eachof these markets.

Reference: PI.pdf, Page 103

C-102

Description: general and specific risk must be carried out for eachof these markets.

Reference: PI.pdf, Page 103

C-103

Description: Treatment of Equity Derivatives Equity derivatives and off-balance-sheet positions that are affected by changes in equity prices should be included in the measurement system, with the exception of certain options

Reference: PI.pdf, Page 103

C-104

Description: Positions in these equity derivatives should be converted into notional positions in the

Reference: PI.pdf, Page 103

C-105

Description: Positions in these equity derivatives should be converted into notional positions in the relevant underlying stock or portfolio of stocks.

Reference: PI.pdf, Page 103

C-107

Description: Alternatively, the second leg may be determined by some other stock index (often referred to as a relative performance swap).

Reference: PI.pdf, Page 103

C-108

Description: Equity swaps should be treated as two notional positions.

Reference: PI.pdf, Page 103

C-110

Description: The net forward position in an exposure should consist of all amounts to be received less all amounts to

Reference: PI.pdf, Page 104

C-111

Description: The net forward position in an exposure should consist of all amounts to be received less all amounts to be paid under forward FX transactions, including currency futures and the principal on currency swaps not included in the spot position.

Reference: PI.pdf, Page 104

C-116

Description: The transactions have contractual terms that provide for an exchange of payments

Reference: PI.pdf, Page 67

C-117

Description: The transactions have contractual terms that provide for an exchange of payments or an exchange of a financial instrument (including commodities) against payment.

Reference: PI.pdf, Page 67

C-118

Description: Other common characteristics of derivative transactions may include the following:

Reference: PI.pdf, Page 67

C-119

Description: Margin payments may be employed, with margin held in various forms, and with re-margining agreements that allow for the adjustment of margin either daily or at some other established frequency.

Reference: PI.pdf, Page 67

C-120

Description: counterparty is the direct counterparty are excluded from the CVA capital calculation. Banks must

Reference: PI.pdf, Page 67

C-123

Description: An option on an eligible CDS (that is, a swaption on such a CDS) can be eligible, provided

Reference: PI.pdf, Page 68

C-125

Description: Other types of instruments must not be reflected as hedges within the calculation of the

Reference: PI.pdf, Page 68

C-126

Description: Other types of instruments must not be reflected as hedges within the calculation of the CVA capital charge, even if the bank views them as mitigating counterparty credit risk.

Reference: PI.pdf, Page 68

C-130

Description: The Central Bank expects that any bank wishing to recognize the benefits of hedges in CVA capital calculations will maintain policies and

Reference: PI.pdf, Page 68

C-131

Description: Another key principle for CVA hedging is that risk mitigation should transfer risk to third

Reference: PI.pdf, Page 68

C-132

Description: Another key principle for CVA hedging is that risk mitigation should transfer risk to third parties external to the bank.

Reference: PI.pdf, Page 68

C-134

Description: Changes in CVA can be viewed as following some distribution, such as the normal distribution illustrated in Figure 2.

Reference: PI.pdf, Page 69

C-135

Description: Conceptually, the general approach to CVA capital is to estimate a level of CVA losses that should

Reference: PI.pdf, Page 69

C-136

Description: However, in the ultimate calibration of the CVA calculation the horizon h was established at one year, and hence h=1.

Reference: PI.pdf, Page 70

C-137

Description: However, in the wake of the 2007–09 financial crisis, it became apparent that the existing Pillar 3 framework failed to promote the identification of a bank's material risks and did not provide sufficient, and

Reference: PIII.pdf, Page 2

C-143

Description: Scope and implementation of the revised Pillar 3 framework

Reference: PIII.pdf, Page 2

C-144

Description: Banks having a banking subsidiary will be required to be consolidated

Reference: PIII.pdf, Page 3

C-150

Description: Implementation date 5.

Reference: PIII.pdf, Page 3

C-172

Description: However, the time lag should not exceed that allowed to the

Reference: PIII.pdf, Page 3

C-194

Description: They should also ensure that appropriate review of the disclosures takes place.

Reference: PIII.pdf, Page 4

C-195

Description: One or more senior officers of a bank, ideally at board level or equivalent, should attest in writing that Pillar 3

Reference: PIII.pdf, Page 4

C-196

Description: officers of a bank, ideally at board level or equivalent, should attest in writing that Pillar 3 disclosures have been prepared in accordance with the board-agreed internal control processes.

Reference: PIII.pdf, Page 4

C-205

Description: The guiding principles aim to provide a firm foundation for

Reference: PIII.pdf, Page 4

C-206

Description: The guiding principles aim to provide a firm foundation for achieving transparent, high-quality Pillar 3 risk disclosures that will enable users to better understand and compare a bank's business and its risks.

Reference: PIII.pdf, Page 4

C-208

Description: The principles are as follows: Principle 1: Disclosures should be clear

Reference: PIII.pdf, Page 4

C-209

Description: The principles are as follows: Principle 1: Disclosures should be clear Disclosures should be presented in a form that is understandable to key stakeholders (i.e.

Reference: PIII.pdf, Page 4

C-210

Description: Important messages should be highlighted and easy to find.

Reference: PIII.pdf, Page 4

C-212

Description: Principle 1: Disclosures should be clear Disclosures should be presented in a form that is understandable to key stakeholders (i.e.

Reference: PIII.pdf, Page 4

C-214

Description: Principle 2: Disclosures should be comprehensive Disclosures should describe a bank's main activities and all significant risks, supported by relevant

Reference: PIII.pdf, Page 4

C-219

Description: The level of detail of such disclosure should be proportionate to a bank's complexity.

Reference: PIII.pdf, Page 4

C-222

Description: Principle 3: Disclosures should be meaningful to users

Reference: PIII.pdf, Page 5

C-223

Description: Principle 3: Disclosures should be meaningful to users Disclosures should highlight a bank's most significant current and emerging risks and how those

Reference: PIII.pdf, Page 5

C-225

Description: Where meaningful, linkages should be provided to line items on the balance sheet or the income

Reference: PIII.pdf, Page 5

C-228

Description: Principle 4: Disclosures should be consistent over time

Reference: PIII.pdf, Page 5

C-229

Description: Principle 4: Disclosures should be consistent over time Disclosures should be consistent over time to enable key stakeholders to identify trends in a

Reference: PIII.pdf, Page 5

C-230

Description: Principle 4: Disclosures should be consistent over time Disclosures should be consistent over time to enable key stakeholders to identify trends in a bank's risk profile across all significant aspects of its business.

Reference: PIII.pdf, Page 5

C-234

Description: relevant to users, should be removed.

Reference: PIII.pdf, Page 5

C-235

Description: Principle 5: Disclosures should be comparable across banks

Reference: PIII.pdf, Page 5

C-236

Description: Principle 5: Disclosures should be comparable across banks The level of detail and the format of presentation of disclosures should enable key stakeholders

Reference: PIII.pdf, Page 5

C-237

Description: Principle 5: Disclosures should be comparable across banks The level of detail and the format of presentation of disclosures should enable key stakeholders to perform meaningful comparisons of business activities, prudential metrics, risks and risk

Reference: PIII.pdf, Page 5

C-243

Description: Stress tests should support decision-making throughout the bank effectively.

Reference: PII.pdf, Page 21

C-247

Description: Risk mitigations should always be considered in light of the stress severity and likelihood.

Reference: PII.pdf, Page 21

C-249

Description: In addition to normal stress testing, each bank is expected to conduct reverse stress

Reference: PII.pdf, Page 21

C-250

Description: actions. If a bank considers mitigation strategies, e.g. hedging strategies, the bank should

Reference: PII.pdf, Page 21

C-251

Description: Each bank should conduct a reverse stress test at least once a year.

Reference: PII.pdf, Page 21

C-273

Description: Internal Control Review 129.

Reference: PII.pdf, Page 22

C-274

Description: Effective control of the internal capital adequacy assessment process should include an

Reference: PII.pdf, Page 22

C-275

Description: Effective control of the internal capital adequacy assessment process should include an independent review and the involvement of both internal audit and external audit (refer to

Reference: PII.pdf, Page 22

C-280

Description: independent review and the involvement of both internal audit and external audit (refer to Appendix 3.1).

Reference: PII.pdf, Page 22

C-285

Description: The review of the ICAAP should cover the following: (i) Ensuring that the ICAAP is complete and suitable as of the bank's context ,

Reference: PII.pdf, Page 22

C-290

Description: The role and validity of internal control functions are also important and should be

Reference: PII.pdf, Page 23

C-291

Description: The role and validity of internal control functions are also important and should be verified with regard to other topics.

Reference: PII.pdf, Page 23

C-295

Description: If the Central Bank is not satisfied with the quality of work performed by the

Reference: PII.pdf, Page 23

C-296

Description: If the Central Bank is not satisfied with the quality of work performed by the bank'sInternal Audit function, the Central Bank may require an external review.

Reference: PII.pdf, Page 23

C-298

Description: Answer: Independent validation can be performed by an independent function of the bank.

Reference: PII.pdf, Page 23

C-300

Description: However, in some instances an external validation/ review is required.

Reference: PII.pdf, Page 23

C-301

Description: For the purpose of this guidance, a bank will be considered to have a sustainable business model if it meets all the following

Reference: PII.pdf, Page 23

C-305

Description: The Board must approve the ICAAP, its outcomes, and

Reference: PII.pdf, Page 24

C-306

Description: The Board must approve the ICAAP, its outcomes, and the proposed mitigation actions.

Reference: PII.pdf, Page 24

C-308

Description: Answer: Banks using multi-period stress scenarios should include the most severe period of the most

Reference: PII.pdf, Page 24

C-309

Description: Answer: Banks using multi-period stress scenarios should include the most severe period of the most severe stress test results (reverse stress scenarios not considered).

Reference: PII.pdf, Page 24

C-310

Description: All other banks that perform a simpler point in time or 1-period stress scenario should include the most severe ST results (reverse

Reference: PII.pdf, Page 24

C-317

Description: (ii) If the bank plan to change its capital base, the bank should have one capital

Reference: PII.pdf, Page 24

C-318

Description: (ii) If the bank plan to change its capital base, the bank should have one capital plan, which reflects the capital injections (and reflects the source of injection).

Reference: PII.pdf, Page 24

C-321

Description: Answer: The ICAAP submission should comply with the schedule specified in Section VIII - ICAAP

Reference: PII.pdf, Page 24

C-326

Description: exceptional cases, by the bank's Central Bank reviewer.

Reference: PII.pdf, Page 25

C-327

Description: Answer: The bank should apply whichever approach is deemed appropriate for their size and complexity,

Reference: PII.pdf, Page 25

C-328

Description: Answer: The bank should apply whichever approach is deemed appropriate for their size and complexity, as the ICAAP is an internal process.

Reference: PII.pdf, Page 25

C-329

Description: With the implementation of IFRS9 banks have a PD for every exposure, which may be used to calculate the F-IRB capital.

Reference: PII.pdf, Page 25

C-330

Description: It is, however, not mandatory to fully implement the F-IRB approach.

Reference: PII.pdf, Page 25

C-333

Description: The F-IRB should follow the floor on the PD of 0.03% and apply a fixed 45% LGD.

Reference: PII.pdf, Page 25

C-334

Description: The bank shall not use own estimations of the LGD under the F-IRB.

Reference: PII.pdf, Page 25

C-336

Description: Answer: The bank should understand risks related to climate change and their impact on the

Reference: PII.pdf, Page 25

C-337

Description: Answer: The bank should understand risks related to climate change and their impact on the sustainability of the bank and the risks of its business strategy.

Reference: PII.pdf, Page 25

C-339

Description: Stress tests and scenario analysis should be explored.

Reference: PII.pdf, Page 25

C-340

Description: Banks should consider assessing their green asset ratio (GAR) which measures a bank's "green assets" as a share of its total assets as an initial tool.

Reference: PII.pdf, Page 25

C-341

Description: The risk identification process should determine whether the risk arising from climate change is a

Reference: PII.pdf, Page 25

C-345

Description: validation (internal/ external); and (ii) Internal Audit should perform an independent review of the bank's capital

Reference: PII.pdf, Page 21

C-347

Description: ECAI definitions of default should broadly reflect those definitions, although they need not

Reference: PI.pdf, Page 146

C-348

Description: ECAI definitions of default should broadly reflect those definitions, although they need not precisely duplicate the Basel definitions.

Reference: PI.pdf, Page 146

C-349

Description: Yes, as the Guidance notes, certain adjustments for local conditions may be appropriate, particularly to account for default conditions that should be interpreted as demonstrating that a

Reference: PI.pdf, Page 146

C-350

Description: Yes, as the Guidance notes, certain adjustments for local conditions may be appropriate, particularly to account for default conditions that should be interpreted as demonstrating that a borrower is "unlikely to pay." As the BCBS has noted in guidance to banks, some flexibility in the definition of default is appropriate to reflect the particular circumstances of each jurisdiction.

Reference: PI.pdf, Page 146

C-351

Description: Question 3: Must the quantitative back testing of ratings outcomes incorporate an analysis

Reference: PI.pdf, Page 146

C-352

Description: Question 3: Must the quantitative back testing of ratings outcomes incorporate an analysis of recovery rates in all cases?

Reference: PI.pdf, Page 146

C-353

Description: No, the quantitative analysis conducted should be tailored as appropriate to demonstrate the

Reference: PI.pdf, Page 146

C-356

Description: No, the Central Bank of the UAE has determined that unsolicited ratings do not provide an

Reference: PI.pdf, Page 146

C-369

Description: the Central Bank may permit offset between different sub-categories of the same commodity, for example, different categories of crude oil, if: they are deliverable against each other they are close substitutes for each other, with a minimum correlation of 0.9 between price movements over a period of at least one year Correlations Banks using correlations between commodities to offset commodity positions must have

Reference: PI.pdf, Page 105

C-370

Description: Banks using correlations between commodities to offset commodity positions must have obtained prior approval from the Central bank of UAE.

Reference: PI.pdf, Page 105

C-373

Description: All commodity derivatives and off-balance sheet positions affected by changes in commodity prices should be included.

Reference: PI.pdf, Page 105

C-374

Description: sheet positions affected by changes in commodity prices should be included.

Reference: PI.pdf, Page 105

C-375

Description: A separate maturity ladder must be used for each commodity.

Reference: PI.pdf, Page 105

C-392

Description: The risk identification process should determine whether the risk arising from climate change is a material capital risk for the bank.

Reference: PII.pdf, Page 26

C-393

Description: Additional risks arising from investment in subsidiaries should be addressed and assessed in the ICAAP.

Reference: PII.pdf, Page 26

C-394

Description: The bank should consider any subsidiary including commercial, non-commercial, and insurance subsidiaries.

Reference: PII.pdf, Page 26

C-395

Description: Question 11: The ICAAP has to be performed on consolidated level.

Reference: PII.pdf, Page 26

C-399

Description: However, each bank should analyse whether additional risks arise from the group structure of the bank.

Reference: PII.pdf, Page 26

C-401

Description: The ICAAP should reflect the results of the bank's analysis.

Reference: PII.pdf, Page 26

C-402

Description: Consequently, the analysis should consider all relevant levels of the group structure (consolidated, solo,

Reference: PII.pdf, Page 26

C-403

Description: Consequently, the analysis should consider all relevant levels of the group structure (consolidated, solo, entity level, and including significant affiliate investments).

Reference: PII.pdf, Page 26

C-413

Description: Answer: The bank should determine the most adequate approach to quantify its risks.

Reference: PII.pdf, Page 26

C-415

Description: Question 15: Does the Internal Audit (IA) review required under Section IX - Internal Control

Reference: PII.pdf, Page 26

C-417

Description: Answer: The Central Bank is of the opinion that IA is not suffering a conflict of interest by reviewing a

Reference: PII.pdf, Page 26

C-422

Description: (ii) IA has to perform the prescribed review for each ICAAP, to be submitted within

Reference: PII.pdf, Page 26

C-424

Description: (ii) IA has to perform the prescribed review for each ICAAP, to be submitted within 3 months of the submission.

Reference: PII.pdf, Page 26

C-428

Description: Answer: The ICAAP is an internal process and the bank should determine the most adequate

Reference: PII.pdf, Page 26

C-430

Description: Question 17: Being a branch of an international bank, is a third party validation required, as this is already conducted at the parent company/ group level covering risk frameworks, systems and

Reference: PII.pdf, Page 26

C-440

Description: the strategic/ financial plan of the bank completed] (iii) We have implemented a 3-5 year forward-looking stress test and [tick box if measured the impact on the capital position of the bank completed] (iv) The ICAAP has been [relevant details from Board committee (Managing signed off by: Director /highest committee for foreign banks)] (v) The ICAAP has been challenged/ by the Board (highest committee [tick box if for foreign banks) and the nature of the challenge will be communicated to completed]

Reference: PII.pdf, Page 27

C-445

Description: cancel distributions/payments on the instrument, nor must they act in a way that could hinder the

Reference: PI.pdf, Page 19

C-446

Description: The dividend stopper will remain until one coupon following the dividend stopper date has been made in full or an amount

Reference: PI.pdf, Page 19

C-447

Description: The dividend stopper will remain until one coupon following the dividend stopper date has been made in full or an amount equal to the same has been duly set aside or provided for in full for the benefit of the holders of

Reference: PI.pdf, Page 19

C-449

Description: The issuance of any new shares as a result of the Point of Non-Viability must occur prior

Reference: PI.pdf, Page 20

C-450

Description: The issuance of any new shares as a result of the Point of Non-Viability must occur prior to any public sector injection of capital so that the capital provided by the public sector is not

Reference: PI.pdf, Page 20

C-451

Description: If a Tier 2 instrument eligible for grandfathering begins its final five-year amortisation period prior to 1st January 2018, the base for grandfathering in this case must take into account

Reference: PI.pdf, Page 20

C-466

Description: Investments in commercial entities in excess of the materiality thresholds must be risk-

Reference: PI.pdf, Page 29

C-467

Description: financial guarantees (direct credit substitutes); and performance guarantees (transaction-related contingent items).

Reference: PI.pdf, Page 29

C-468

Description: Performance guarantees are essentially transaction-related contingencies that involve an

Reference: PI.pdf, Page 29

C-470

Description: Performance guarantees attract a CCF of 50%.

Reference: PI.pdf, Page 29

C-473

Description: Longer maturity commitments are considered to be of higher risk because there is a longer period between credit reviews and less opportunity to withdraw the commitment if the credit quality

Reference: PI.pdf, Page 29

C-474

Description: However, any commitments that are unconditionally cancellable at any time by the bank without prior notice, or that effectively provide for automatic cancellation due to deterioration in a

Reference: PI.pdf, Page 29

C-475

Description: period between credit reviews and less opportunity to withdraw the commitment if the credit quality of the customer deteriorates.

Reference: PI.pdf, Page 29

C-476

Description: This requires that banks conduct formal reviews of the facilities regularly and this provides the opportunity to take note of any perceived

Reference: PI.pdf, Page 29

C-477

Description: For example, a commitment to provide collateral or a guarantee is not recognised as an eligible CRM technique

Reference: PI.pdf, Page 30

C-478

Description: For example, a commitment to provide collateral or a guarantee is not recognised as an eligible CRM technique for capital adequacy purposes until the commitment to do so is actually fulfilled.

Reference: PI.pdf, Page 30

C-479

Description: For example, if the rating has already taken into account a guarantee pledged by the parent or sovereign entity, then the guarantee shall not be considered again for credit risk mitigation

Reference: PI.pdf, Page 30

C-483

Description: Simple Approach Under simple approach, the eligible collateral must be pledged for at least the life of the

Reference: PI.pdf, Page 30

C-484

Description: If the exposure and collateral are held in different currencies, the bank must adjust

Reference: PI.pdf, Page 30

C-485

Description: risksthat need to be adequately controlled and managed. Banks should take all appropriate steps

Reference: PI.pdf, Page 30

C-486

Description: Banks should take all appropriate steps to ensure the effectiveness of the CRM and to address related risks.

Reference: PI.pdf, Page 30

C-487

Description: Shari'ah Implementation Banks that conduct all or part of their activities in accordance with the provisions of

Reference: PI.pdf, Page 30

C-488

Description: to ensure the effectiveness of the CRM and to address related risks.

Reference: PI.pdf, Page 30

C-493

Description: However, exposures in non-domestic currencies (including USD) shall

Reference: PI.pdf, Page 30

C-497

Description: Short 2,000 60 120,000 To calculate the general market risk charge, we must first determine the overall net open position.

Reference: PI.pdf, Page 115

C-498

Description: Next, we must work out the specific risk charge.

Reference: PI.pdf, Page 115

C-503

Description: To adjust for the known delinquency rate on the pooled SA assets, the bank computes an adjusted capital ratio: (1−)× +(×0.5)=0.94×0.09+0.06×0.5=0.1146 This calculated capital ratio must be further adjusted for the fact that the delinquency rate

Reference: PI.pdf, Page 96

C-504

Description: (1−)× +(×0.5)=0.94×0.09+0.06×0.5=0.1146 This calculated capital ratio must be further adjusted for the fact that the delinquency rate is unknown for a small portion (1%) of the underlying asset pool: =0.99×0.1146+0.01=0.1235 Next, the bank applies the supervisory formula to calculate the capital required per unit of

Reference: PI.pdf, Page 96

C-505

Description: If, for example, the bank chose to apply a capital ratio of 13% to this exposure, then the bank's required capital would

Reference: PI.pdf, Page 96

C-506

Description: Because this is a non-senior tranche, it must also be adjusted for tranche thickness, which

Reference: PI.pdf, Page 96

C-507

Description: Because this is a non-senior tranche, it must also be adjusted for tranche thickness, which is the difference between D=30% and A=5%, a difference of 25%.

Reference: PI.pdf, Page 96

C-508

Description: The interpolated risk weight from the table should be multiplied by a factor of 1-(D-A)=0.75, which exceeds the

Reference: PI.pdf, Page 96

C-509

Description: The interpolated risk weight from the table should be multiplied by a factor of 1-(D-A)=0.75, which exceeds the floor of 50% and therefore should be used by the bank in the calculation (0.75 x 497.5%).

Reference: PI.pdf, Page 96

C-512

Description: Identifying Market Risk Drivers For a particular instrument, the risk drivers that influence the market prices of that instrument must be identified.

Reference: PI.pdf, Page 98

C-514

Description: The operational risk capital charge represents the amount of capital that a bank should

Reference: PI.pdf, Page 122

C-515

Description: The operational risk capital charge represents the amount of capital that a bank should maintain as a cushion against losses arising from operational risk.

Reference: PI.pdf, Page 122

C-517

Description: Gross income used in the calculation of the capital charge for operational risk should be:

Reference: PI.pdf, Page 123

C-518

Description: Gross income used in the calculation of the capital charge for operational risk should be: - Gross of any provisions, for example, for unpaid interest.

Reference: PI.pdf, Page 123

C-519

Description: This is because such amounts should have normally formed part of a bank's income but have been set aside for likely

Reference: PI.pdf, Page 123

C-520

Description: - Gross of operating expenses, including fees paid to outsourcing service providers.

Reference: PI.pdf, Page 123

C-521

Description: This is because outsourcing of activities does not fully transfer operational risk to the service provider.

Reference: PI.pdf, Page 123

C-522

Description: Outsourcing is the strategic use of outside resources to perform business

Reference: PI.pdf, Page 123

C-523

Description: should have normally formed part of a bank's income but have been set aside for likely credit losses.

Reference: PI.pdf, Page 123

C-524

Description: Outsourcing is the strategic use of outside resources to perform business functions that are traditionally managed by internal staff.

Reference: PI.pdf, Page 123

C-531

Description: Alternatively, banks may act as service providers to other banks.

Reference: PI.pdf, Page 124

C-532

Description: Basel provides the following guidance for the treatment of outsourcing fees paid or

Reference: PI.pdf, Page 124

C-533

Description: Basel provides the following guidance for the treatment of outsourcing fees paid or received, while calculating the gross income for the purpose of calculating the operational risk capital charge: - Outsourcing fees paid by a bank to a service provider do not reduce the gross income of

Reference: PI.pdf, Page 124

C-534

Description: Treatment of Negative Gross Income The operational risk capital charge under the BIA is assumed that a bank has positive gross income for all of the previous three years.However, some banks may have negative gross income for some year(s), for example, resulting from poor financial performance.

Reference: PI.pdf, Page 124

C-535

Description: Figures for any year in which annual gross income is negative or zero shall be excluded from both the numerator

Reference: PI.pdf, Page 124

C-536

Description: Figures for any year in which annual gross income is negative or zero shall be excluded from both the numerator and denominator when calculating the gross income average.

Reference: PI.pdf, Page 124

C-537

Description: On this basis, the figures presented in the 3 years' calculations should reconcile (or be

Reference: PI.pdf, Page 124

C-538

Description: Corporate finance: banking arrangements and facilities provided to large commercial

Reference: PI.pdf, Page 125

C-539

Description: Retail brokerage: broking services provided to customers that are retail investors rather

Reference: PI.pdf, Page 125

C-540

Description: Retail brokerage: broking services provided to customers that are retail investors rather than institutional investors.

Reference: PI.pdf, Page 125

C-541

Description: Since all income has to be allocated to a business line, the sum of the gross income of the eight business lines should equal the gross income for the bank as a whole

Reference: PI.pdf, Page 125

C-542

Description: Should this risk weight be lower?

Reference: PI.pdf, Page 86

C-545

Description: Should the leverage of the fund be proportioned according to use of approach?

Reference: PI.pdf, Page 86

C-546

Description: When a bank uses more than one approach to determinethe risk weight (that is, LTA, MBA, and/or FBA), the bank should

Reference: PI.pdf, Page 86

C-548

Description: Further, assume that the fund's financial position can be represented by the following T-account balance sheet:

Reference: PI.pdf, Page 87

C-549

Description: The calculation of RWA must include an amount for the counterparty credit risk associated with

Reference: PI.pdf, Page 88

C-550

Description: If the bank cannot determine the replacement cost associated with the futures

Reference: PI.pdf, Page 88

C-551

Description: If the bank cannot determine the replacement cost associated with the futures contracts, then the replacement cost must be approximated by the maximum notional amount of

Reference: PI.pdf, Page 88

C-552

Description: If the PFE is similarly indeterminate, an additional 15% of the notional amount must be added

Reference: PI.pdf, Page 88

C-553

Description: If neither the SEC-ERBA nor the SEC-SA can be applied for a particular securitisation exposure, a maximum risk weight of 1250% must be used

Reference: PI.pdf, Page 89

C-554

Description: While credit rating agencies capture some aspects of the risk related to tranche thickness in their external ratings, analysis performed by the BCBS

Reference: PI.pdf, Page 89

C-556

Description: For securitisation exposures, payments to the investors depend upon the performance of

Reference: PI.pdf, Page 90

C-557

Description: In some cases, transactions that have some of the features of securitisations should not

Reference: PI.pdf, Page 90

C-558

Description: In some cases, transactions that have some of the features of securitisations should not be treated as such for capital purposes.

Reference: PI.pdf, Page 90

C-559

Description: Banks should consult with Central Bank when there is uncertainty about whether a given transaction should be

Reference: PI.pdf, Page 90

C-561

Description: When there are several tranches that share the same rating, only the most senior tranche in the cash flow waterfall should be

Reference: PI.pdf, Page 90

C-563

Description: When there are several tranches that share the same rating, only the most senior tranche in the cash flow waterfall should be treated as senior (unless the only difference among them is the effective maturity).

Reference: PI.pdf, Page 90

C-564

Description: In addition, when the different ratings of several senior tranches only result from a difference in maturity, all of these tranches should be treated as senior.

Reference: PI.pdf, Page 90

C-565

Description: most highly rated position should be treated as a senior tranche.

Reference: PI.pdf, Page 90

C-566

Description: In a typical synthetic securitisation, an unrated tranche can be treated as a senior tranche provided that all of the conditions for inferring a rating from a lower tranche that meets the

Reference: PI.pdf, Page 90

C-631

Description: Shari'ah Implementation: Bank that conduct all or part of their activities in accordance with the provisions of Shari'ah

Reference: PI.pdf, Page 109

C-634

Description: This must be done in a manner compliant to the Shari'ah.

Reference: PI.pdf, Page 109

C-636

Description: Note that Table 3 in the text covers only interest rate derivatives, and therefore credit derivatives should not be included.

Reference: PI.pdf, Page 109

C-637

Description: Credit derivatives must be analysed whether they are

Reference: PI.pdf, Page 109

C-638

Description: Credit derivatives must be analysed whether they are subject to the general market risk treatment for interest rate risk.

Reference: PI.pdf, Page 109

C-639

Description: Please note, that the analysis to which risk types a specific instrument type is exposed, must be provided to the Central Bank upon request.

Reference: PI.pdf, Page 109

C-640

Description: any one of rated agencies i.e. Moody's, S&P, Fitch with investment grade. Should it be

Reference: PI.pdf, Page 109

C-641

Description: Question 6: Should general criteria for all investment grade securities other than

Reference: PI.pdf, Page 110

C-643

Description: Yes, these instruments will be classified as qualifying provided in paragraphs 16-19.

Reference: PI.pdf, Page 110

C-645

Description: If the bank does so, all such repo-style transactions must be included in the trading book, and both legs of such transactions, either cash

Reference: PI.pdf, Page 110

C-646

Description: transactions must be included in the trading book, and both legs of such transactions, either cash or securities, must be included in the trading book.

Reference: PI.pdf, Page 110

C-650

Description: Banking or trading), applicable capital charge should be taken in place.

Reference: PI.pdf, Page 110

C-655

Description: Commercial GREs that are treated as corporates for credit risk should also be treated as

Reference: PI.pdf, Page 110

C-659

Description: Maturity approach shall be the initial approach to be used.

Reference: PI.pdf, Page 110

C-663

Description: As long as the position got an open leg under one of the two books (i.e. Banking or trading), applicable capital charge should be taken in place. When a bank hedges a banking book credit

Reference: PI.pdf, Page 109

C-682

Description: (e) Clauses that provide for increases in a retained first-loss position or credit enhancement

Reference: PI.pdf, Page 90

C-683

Description: (e) Clauses that provide for increases in a retained first-loss position or credit enhancement provided by the originating bank after the transaction's inception.

Reference: PI.pdf, Page 90

C-686

Description: securitisation transaction that would materially affect the performance of the bank's exposures to the transaction.

Reference: PI.pdf, Page 90

C-725

Description: that year, even if it was a small amount. To ensure that such distortions do not occur, the

Reference: PI.pdf, Page 134

C-726

Description: To ensure that such distortions do not occur, the supervisor should review and consider appropriate actions under Pillar 2.

Reference: PI.pdf, Page 134

C-727

Description: supervisor should review and consider appropriate actions under Pillar 2.

Reference: PI.pdf, Page 134

C-729

Description: 1- Below is small example indicated which to include and exclude in the gross income: Included Excluded Provisions Profits/losses from sale of securities Operating expenses Extraordinary/ irregular items Gross income for each business line should: - Be gross of any provisions (for example, for unpaid interest).

Reference: PI.pdf, Page 134

C-731

Description: 129

CBUAE Classification: Public Question 2: Can the Central Bank detail or provide examples of the extraordinary or

Reference: PI.pdf, Page 129

C-732

Description: CBUAE Classification: Public Question 2: Can the Central Bank detail or provide examples of the extraordinary or irregular items under the definition of Gross income.

Reference: PI.pdf, Page 129

C-734

Description: These criteria are not preset by the Central Bank. A bank should establish internally such criteria,

Reference: PI.pdf, Page 129

C-735

Description: A bank should establish internally such criteria, reflecting its internal organisation, and these should be subject to independent review as per point

Reference: PI.pdf, Page 129

C-736

Description: Question 7: Why is the volume-based indicator alternative provided?

Reference: PI.pdf, Page 130

C-737

Description: This volume-based indicator is provided to avoid large differences in the operational risk

Reference: PI.pdf, Page 130

C-739

Description: No, the Central Bank must be satisfied that the alternative approach provides an improved basis

Reference: PI.pdf, Page 130

C-740

Description: No, the Central Bank must be satisfied that the alternative approach provides an improved basis for calculating the capital charge for operational risk in the bank.

Reference: PI.pdf, Page 130

C-741

Description: Under the ASA, commercial loans and advances will include outstanding amounts (non-risk weighted and gross of provisions) averaged over the past three years, from the following credit

Reference: PI.pdf, Page 130

C-742

Description: estate and commercial real estate Small and medium enterprises treated as Loans to small and medium enterprises corporates belonging to a group with annual gross turnover that exceeds AED 250 million Purchased corporate receivables Bank finance against amounts due to corporates from third parties for goods and/or services provided by them.

Reference: PI.pdf, Page 130

C-743

Description: For the purpose of the ASA, retail loans will include total outstanding amounts (non-risk weighted 131

CBUAE Classification: Public and gross of provisions) averaged over the past three years in the following credit portfolios:

Reference: PI.pdf, Page 130

C-744

Description: Purchased retail receivables Bank finance against amounts due to bank's retail clients from third parties for goods and/or services provided by them

Reference: PI.pdf, Page 130

C-745

Description: Purchased retail receivables Bank finance against amounts due to bank's retail clients from third parties for goods and/or services provided by them Question 11: What is the threshold to decide a large diversified bank in terms of assets book size/composition or any other indicators?

Reference: PI.pdf, Page 130

C-746

Description: The Central Bank will perform an assessment for each bank

Reference: PI.pdf, Page 130

C-747

Description: The Central Bank will perform an assessment for each bank applying to qualify for ASA.

Reference: PI.pdf, Page 130

C-748

Description: The qualifying criteria provided in paragraph 28 of the Operational

Reference: PI.pdf, Page 130

C-749

Description: goods and/or services provided by them Question 11: What is the threshold to decide a large diversified bank in terms of assets book size/composition or any other indicators?

Reference: PI.pdf, Page 130

C-752

Description: Question 12: Retail or commercial banking activities shall account for at least 90% of its

Reference: PI.pdf, Page 130

C-754

Description: Can we get clarification on the difference between the validation and the review, and what are the scope and

Reference: PI.pdf, Page 130

C-755

Description: Can we get clarification on the difference between the validation and the review, and what are the scope and responsible party for each?

Reference: PI.pdf, Page 130

C-756

Description: Validation of models and tables must be performed by the internal auditor or by the external

Reference: PI.pdf, Page 130

C-758

Description: the difference between the validation and the review, and what are the scope and responsible party for each?

Reference: PI.pdf, Page 130

C-764

Description: These criteria are not preset by the Central Bank. A bank should establish internally such criteria, reflecting its internal organisation, and these should be subject to independent review as per point

Reference: PI.pdf, Page 129

C-768

Description: In such circumstances, however, the bank will be required to explain in a narrative commentary why it

Reference: PIII.pdf, Page 6

C-771

Description: Where the format of a template is described as fixed, banks should complete the fields in

Reference: PIII.pdf, Page 6

C-773

Description: If a row/column is not considered to be relevant to a bank's activities the bank may delete the specific row/column from the template, but the numbering of the subsequent rows and columns should not be altered.

Reference: PIII.pdf, Page 6

C-775

Description: the specific row/column from the template, but the numbering of the subsequent rows and columns should not be altered.

Reference: PIII.pdf, Page 6

C-777

Description: 185

CBUAE Classification: Public or columns, but the numbering of prescribed rows and columns in the template should not be altered.

Reference: PIII.pdf, Page 6

C-778

Description: Where the format of a template is described as flexible, banks may present the required

Reference: PIII.pdf, Page 6

C-780

Description: or columns, but the numbering of prescribed rows and columns in the template should not be altered.

Reference: PIII.pdf, Page 6

C-814

Description: It should also be accompanied by a qualitative discussion.

Reference: PIII.pdf, Page 6

C-815

Description: Any additional disclosure should comply with the five guiding principles set out in paragraph 14 above.

Reference: PIII.pdf, Page 6

C-821

Description: Frequently Asked Questions (FAQ) Question 1: One or more senior officers of a bank, ideally at boardlevel or equivalent, should attest in writing that Pillar 3 disclosures have been prepared in accordance

Reference: PIII.pdf, Page 10

C-824

Description: Since the BRF95 should mandatorily be submitted by banks within 4 weeks

Reference: PIII.pdf, Page 10

C-826

Description: Since the BRF95 should mandatorily be submitted by banks within 4 weeks from quarter end, the bank still has additional 2 weeks to complete the Pillar 3 disclosures

Reference: PIII.pdf, Page 10

C-827

Description: Please clarify in case of subsidiary of a bank, whether revised pillar 3 disclosures will be required to be prepared at consolidated Group level or stand-alone

Reference: PIII.pdf, Page 10

C-832

Description: DSIBs, Securitisation), shall the Bank exclude this section/ table completely irrespective of

Reference: PIII.pdf, Page 10

C-833

Description: which is mandatory and cannot be omitted from the Pillar 3 tables.

Reference: PIII.pdf, Page 10

C-835

Description: Securitisation), shall the Bank exclude this section/ table completely irrespective of type of table.

Reference: PIII.pdf, Page 10

C-845

Description: the specific row/column from the template, but the numbering of the subsequent rows and columns should not be altered. Banks may add extra rows and extra columns to fixed format

Reference: PIII.pdf, Page 6

C-847

Description: Question 5: If any section/ table of Template is not applicable to the Bank (i.e. DSIBs, Securitisation), shall the Bank exclude this section/ table completely irrespective of

Reference: PIII.pdf, Page 6

C-850

Description: If for operational or other reasons a bank finds using the Basel formulation of the discount factor more convenient, its use is acceptable, provided the bank also multiplies the

Reference: PI.pdf, Page 71

C-851

Description: This kind of common risk potentially can be hedged, but cannot be reduced through diversification across counterparties.

Reference: PI.pdf, Page 71

C-852

Description: An alternative arrangement of the CVA capital calculation may provide additional intuition:

Reference: PI.pdf, Page 72

C-853

Description: In the case of unrated counterparties or entities, banks should follow the approach applied by the Central Bank

Reference: PI.pdf, Page 74

C-858

Description: Threshold for the Simple Alternative As part of the finalization of Basel III, the BCBS introduced a materiality threshold, and provided an option for any bank whose aggregate notional amount of non-centrally cleared

Reference: PI.pdf, Page 74

C-859

Description: Threshold for the Simple Alternative As part of the finalization of Basel III, the BCBS introduced a materiality threshold, and provided an option for any bank whose aggregate notional amount of non-centrally cleared derivatives is less than or equal to 100 billion euro to choose to set its CVA capital equal to 100% of its capital for counterparty credit risk.

Reference: PI.pdf, Page 74

C-860

Description: To implement this option in the UAE, the Central Bank has established a materiality

Reference: PI.pdf, Page 74

C-861

Description: To implement this option in the UAE, the Central Bank has established a materiality threshold of 400 billion AED.

Reference: PI.pdf, Page 74

C-862

Description: If a bank chooses this CDS, it must be applied to all of the bank's covered transactions,

Reference: PI.pdf, Page 74

C-863

Description: If a bank chooses this CDS, it must be applied to all of the bank's covered transactions, as required under the BCBS framework.

Reference: PI.pdf, Page 74

C-866

Description: Question 2: Should debit valuation adjustment (DVA) be netted from CVA for the capital

Reference: PI.pdf, Page 75

C-868

Description: Question 5: For calculating the weighted average maturity, should we use the original deal

Reference: PI.pdf, Page 75

C-870

Description: Either approach is acceptable, provided the bank is consistent in its selected approach.

Reference: PI.pdf, Page 75

C-871

Description: Question 6: If there is no valid netting set with a counterparty, how should average maturity

Reference: PI.pdf, Page 75

C-872

Description: Question 8: When calculating average maturity for a netting set, should we consider each

Reference: PI.pdf, Page 75

C-873

Description: Maturity calculations for CVA must be calculated for each netting set, reflecting all covered

Reference: PI.pdf, Page 75

C-874

Description: Maturity calculations for CVA must be calculated for each netting set, reflecting all covered transactions within a given netting set, regardless of asset class.

Reference: PI.pdf, Page 75

C-875

Description: Question 9: If an entity has ratings from multiple rating agencies, which one should be

Reference: PI.pdf, Page 75

C-876

Description: Question 9: If an entity has ratings from multiple rating agencies, which one should be 76

CBUAE Classification: Public used to determine the risk weight for CVA capital?

Reference: PI.pdf, Page 76

C-877

Description: If there are ratings from two different rating agencies that map to different risk weights, the higher risk weight should be applied.

Reference: PI.pdf, Page 76

C-878

Description: If there are ratings from three or more rating agencies that map to different risk weights, the two ratings that correspond to the lowest risk weights should be referred

Reference: PI.pdf, Page 76

C-879

Description: If these two ratings give rise to the same risk weight, that risk weight should be applied.

Reference: PI.pdf, Page 76

C-880

Description: If a bank chooses this CDS, it must be applied to all of the bank's covered transactions, as required under the BCBS framework. In addition, a bank adopting this simple approach may

Reference: PI.pdf, Page 71

C-882

Description: The bank needs to calculate the appropriate supervisory discount factor for the index CDS, based on the maturity Mind=1.5 years: (1− −.05×1.5) = =1.445 .05 To determine the risk weight, the bank must determine the credit rating for each of the twenty

Reference: PI.pdf, Page 81

C-886

Description: Subject to meeting the conditions set out for its use, banks employing the LTA must apply the risk

Reference: PI.pdf, Page 81

C-887

Description: Subject to meeting the conditions set out for its use, banks employing the LTA must apply the risk weight of the fund's underlying exposures as if the exposures were held directly by the bank; The "mandate-based approach" (MBA): The MBA provides a degree of risk sensitivity,

Reference: PI.pdf, Page 81

C-888

Description: weight of the fund's underlying exposures as if the exposures were held directly by the bank; The "mandate-based approach" (MBA): The MBA provides a degree of risk sensitivity, and can be used when banks do not meet the conditions for applying the LTA.

Reference: PI.pdf, Page 81

C-889

Description: The “mandate-based approach” (MBA): The MBA provides a degree of risk sensitivity, and can be used when banks do not meet the conditions for applying the LTA.

Reference: PI.pdf, Page 81

C-892

Description: The Central Bank has chosen not to use the national discretion provided within the BCBS

Reference: PI.pdf, Page 82

C-898

Description: a bank effectively owns 5% of a fund, the bank must hold capital as if it owns 5% of the fund’s risk-weighted assets.

Reference: PI.pdf, Page 83

C-900

Description: RWA and assets of investment funds should, to the extent possible, be evaluated using

Reference: PI.pdf, Page 83

C-903

Description: This increase is subject to ex ante supervisory approval, and banks with such exposures should consult with the Central Bank regarding STC treatment.

Reference: PI.pdf, Page 95

C-904

Description: In addition, the seller or sponsor of such a pool must retain subordinated positions that provide loss-absorbing credit

Reference: PI.pdf, Page 95

C-916

Description: All banks licensed by the Central Bank of the UAE must ensure that Pillar 1 risks -

Reference: PII.pdf, Page 2

C-922

Description: Each bank is required to maintain appropriate capital

Reference: PII.pdf, Page 2

C-924

Description: As part of the Supervisory Review and Evaluation Process (SREP), the Central Bank

Reference: PII.pdf, Page 2

C-939

Description: it provides a framework, within which a bank should elaborate research, analyse, and draw conclusions relevant to the risk profiles of their books.

Reference: PII.pdf, Page 2

C-950

Description: the bank's Board, it should be comprehended as the Managing Director and/ or the highest committee in the UAE operations of the bank in which the Managing Director has to be the Chairman.

Reference: PII.pdf, Page 3

C-959

Description: These views must be supported by key quantitative results including

Reference: PII.pdf, Page 3

C-960

Description: These views must be supported by key quantitative results including the current and expected capital position of the bank under various economic conditions including stressed circumstances.

Reference: PII.pdf, Page 3

C-961

Description: It should also provide a clear analysis of the drivers of

Reference: PII.pdf, Page 3

C-963

Description: It should also provide a clear analysis of the drivers of capital consumption, including Pillar 1 and Pillar 2 risks and stress testing.

Reference: PII.pdf, Page 3

C-964

Description: The conclusion should be unambiguous, forward-looking and consider the uncertainty of the business and

Reference: PII.pdf, Page 3

C-968

Description: This needs to cover expected dividend distribution; (viii) An analysis of the capital position and capital ratios under several stress scenarios, the analysis of the stress scenarios should include the intended risk

Reference: PII.pdf, Page 4

C-985

Description: Each bank should adopt progressively more sophisticated

Reference: PII.pdf, Page 5

C-987

Description: Each bank should adopt progressively more sophisticated approaches in measuring risks to keep up with the business model evolvement, the risk profile, size of the bank, and appropriate market practice.

Reference: PII.pdf, Page 5

C-1001

Description: Each bank is expected to ensure the effectiveness and consistency of the ICAAP at

Reference: PII.pdf, Page 5

C-1002

Description: Each bank is expected to ensure the effectiveness and consistency of the ICAAP at each level, with a special focus on the group level for local banks.

Reference: PII.pdf, Page 5

C-1003

Description: should be comprehensive, reliable, follow rigorous quality checks, and control mechanisms.

Reference: PII.pdf, Page 5

C-1005

Description: However, each bank should analyse whether additional risks arise from the

Reference: PII.pdf, Page 5

C-1007

Description: The group structure must be analysed from different perspectives.

Reference: PII.pdf, Page 5

C-1008

Description: To be able to effectively assess and maintain capital adequacy across entities, strategies, risk

Reference: PII.pdf, Page 5

C-1010

Description: Capital transferability within the group should be assessed conservatively and

Reference: PII.pdf, Page 5

C-1011

Description: Capital transferability within the group should be assessed conservatively and cautiously, which should be considered in the ICAAP.

Reference: PII.pdf, Page 5

C-1015

Description: ICAAP at solo level (without subsidiaries). Therefore, the bank should identify any potential

Reference: PII.pdf, Page 6

C-1016

Description: Therefore, the bank should identify any potential and additional risks both at consolidated group level and at solo bank level.

Reference: PII.pdf, Page 6

C-1018

Description: Each bank should evaluate whether the required Pillar 1 capital

Reference: PII.pdf, Page 6

C-1019

Description: Each bank should evaluate whether the required Pillar 1 capital adequately covers all risks arising from those entities.

Reference: PII.pdf, Page 6

C-1021

Description: The evaluation should consider all risk types, including credit risk, reputational risk, and step-in risk, etc.

Reference: PII.pdf, Page 6

C-1022

Description: The analysis should not be limited to branches and subsidiaries but should also consider affiliates, if material.

Reference: PII.pdf, Page 6

C-1023

Description: Such analysis should not be limited to local banks only, also foreign banks operating in the UAE

Reference: PII.pdf, Page 6

C-1024

Description: Such analysis should not be limited to local banks only, also foreign banks operating in the UAE should identify and analyse all their dependencies on parent companies through centralised

Reference: PII.pdf, Page 6

C-1025

Description: limited to branches and subsidiaries but should also consider affiliates, if material.

Reference: PII.pdf, Page 6

C-1026

Description: bank's capital to cover the risks faced by the bank in light of its risk profile, its risk appetite and its future business plans. These views must be supported by key quantitative results including

Reference: PII.pdf, Page 1

C-1028

Description: 22. Capital transferability within the group should be assessed conservatively and cautiously, which should be considered in the ICAAP. Each bank should have a process to

Reference: PII.pdf, Page 1

C-1029

Description: distribution and the approval process between the bank's holding company (group/parent) and the subsidiaries in the banking group should be well defined. The analysis should also consider

Reference: PII.pdf, Page 1

C-1030

Description: e.g. investments in commercial subsidiaries, including Special Purpose Vehicles (SPV), and insurance companies. Each bank should evaluate whether the required Pillar 1 capital

Reference: PII.pdf, Page 1

C-1031

Description: the regular internal review and validation by the appropriate functions of the bank.

Reference: PII.pdf, Page 5

C-1082

Description: The bank should implement a formal process to analyse whether the outcomes of the ICAAP influence the

Reference: PII.pdf, Page 5

C-1086

Description: The formal feedback process should also include links

Reference: PII.pdf, Page 5

C-1090

Description: The ICAAP should have an interactive relationship with other key processes within the

Reference: PII.pdf, Page 5

C-1095

Description: Conceptually, this circular process should be articulated according to the following

Reference: PII.pdf, Page 5

C-1096

Description: Conceptually, this circular process should be articulated according to the following illustration and guidance.

Reference: PII.pdf, Page 5

C-1097

Description: Each bank should design its own iterative process:

Reference: PII.pdf, Page 5

C-1104

Description: associated to such business plan; (iii) The ICAAP should result in an estimation of the adequate level of capital given the business and risk assumptions.

Reference: PII.pdf, Page 5

C-1106

Description: The stakeholders should regularly interact with each other during the production of the

Reference: PII.pdf, Page 5

C-1122

Description: Banks with more complex option positions that also write options must use the delta-

Reference: PI.pdf, Page 112

C-1126

Description: An ECAI should disclose the general nature of its compensation arrangements with rated

Reference: PI.pdf, Page 141

C-1127

Description: An ECAI should disclose the general nature of its compensation arrangements with rated entities, obligors, lead underwriters, or arrangers.

Reference: PI.pdf, Page 141

C-1128

Description: When the ECAI receives compensation unrelated to its credit rating services from a party such as a rated entity, obligor, originator, lead underwriter, or arranger, the ECAI should disclose such compensation as a percentage of the

Reference: PI.pdf, Page 141

C-1133

Description: ECAI should possess sufficient human and technical resources to produce high quality

Reference: PI.pdf, Page 141

C-1134

Description: Evidence of resource sufficiency includes: (i) Technical expertise of the people should be sufficient to conduct the analysis to

Reference: PI.pdf, Page 141

C-1135

Description: Evidence of resource sufficiency includes: (i) Technical expertise of the people should be sufficient to conduct the analysis to support the assignment of ratings, and to maintain contact with senior and

Reference: PI.pdf, Page 141

C-1136

Description: Evidence of resource sufficiency includes: (i) Technical expertise of the people should be sufficient to conduct the analysis to support the assignment of ratings, and to maintain contact with senior and operational levels within the entities that are rated.

Reference: PI.pdf, Page 141

C-1137

Description: support the assignment of ratings, and to maintain contact with senior and operational levels within the entities that are rated.

Reference: PI.pdf, Page 141

C-1139

Description: The ECAI must demonstrate that it enjoys credibility in the markets in which it operates.

Reference: PI.pdf, Page 141

C-1144

Description: The ECAI must adopt and adhere to a code of conduct that is consistent with the IOSCO

Reference: PI.pdf, Page 142

C-1145

Description: The ECAI must be subject to effective supervision on an ongoing basis by a

Reference: PI.pdf, Page 142

C-1146

Description: However, banks should not interpret use of this scale as a Central

Reference: PI.pdf, Page 142

C-1147

Description: However, banks should not interpret use of this scale as a Central Bank endorsement of any particular rating agency.

Reference: PI.pdf, Page 142

C-1148

Description: Banks should be aware that the Central Bank regularly reassesses the extent to which any ECAI

Reference: PI.pdf, Page 142

C-1149

Description: Banks should be aware that the Central Bank regularly reassesses the extent to which any ECAI meets the criteria stated in this Guidance.

Reference: PI.pdf, Page 142

C-1150

Description: Banks must take steps to confirm that any ratings used

Reference: PI.pdf, Page 142

C-1151

Description: Banks must take steps to confirm that any ratings used in capital adequacy calculations are obtained from ECAIs that continue to be viewed as eligible by the Central Bank.

Reference: PI.pdf, Page 142

C-1152

Description: Additional entities may be approved as eligible ECAIs in due course.

Reference: PI.pdf, Page 142

C-1154

Description: However, if a bank determines that a different mapping is more appropriate, the bank should use that alternative mapping, provided the results are at least as conservative as

Reference: PI.pdf, Page 142

C-1156

Description: However, as with the long-term ratings, if a bank determines that a different mapping is more appropriate, the bank should use that alternative mapping, provided the results

Reference: PI.pdf, Page 143

C-1157

Description: For the purpose of applying ECAI ratings to derive risk-weights for exposures, banks should apply the following process:

Reference: PI.pdf, Page 143

C-1160

Description: Banks must use the chosen ECAIs and their ratings consistently for each type of claim for

Reference: PI.pdf, Page 144

C-1161

Description: Banks must use the chosen ECAIs and their ratings consistently for each type of claim for which the ECAI and its ratings are approved, and must seek the consent of the Central Bank on

Reference: PI.pdf, Page 144

C-1162

Description: Banks must use the chosen ECAIs and their ratings consistently for each type of claim for which the ECAI and its ratings are approved, and must seek the consent of the Central Bank on any subsequent changes to the application of those ratings.

Reference: PI.pdf, Page 144

C-1165

Description: Banks may not use unsolicited ratings that may be provided by any ECAI.

Reference: PI.pdf, Page 144

C-1166

Description: If there is only one rating by a nominated ECAI for a particular claim, that rating should be

Reference: PI.pdf, Page 144

C-1167

Description: support the assignment of ratings, and to maintain contact with senior and operational levels within the entities that are rated. In particular, ECAIs should assign

Reference: PI.pdf, Page 141

C-1198

Description: exposures to the head office shall receive the risk weight

Reference: PI.pdf, Page 25

C-1199

Description: exposures to the head office shall receive the risk weight according to the rating of the head office).

Reference: PI.pdf, Page 25

C-1200

Description: Claims on Securities Firms In addition to providing loans to other banks in the interbank market, banks provide loans to

Reference: PI.pdf, Page 25

C-1201

Description: Exposures to these securities firms shall be treated as claims on banks if these firms are subject to prudential

Reference: PI.pdf, Page 25

C-1204

Description: As part of the supervisory review process, the Central Bank may also consider whether the credit quality of

Reference: PI.pdf, Page 25

C-1205

Description: As part of the supervisory review process, the Central Bank may also consider whether the credit quality of corporate claims held by banks warrants a risk weight higher than 100%.

Reference: PI.pdf, Page 25

C-1233

Description: No, interest in suspense should be included as an exposure.

Reference: PIII.pdf, Page 21

C-1234

Description: Examples: Calculation of Gross SFT Assets This section provides simple examples to help clarify the calculation of adjusted gross SFT

Reference: PIII.pdf, Page 21

C-1235

Description: Examples: Calculation of Gross SFT Assets This section provides simple examples to help clarify the calculation of adjusted gross SFT assets for the leverage ratio exposure measure.

Reference: PIII.pdf, Page 21

C-1237

Description: The customer provides securities to the bank of 110, receives cash of 100, and commits to repurchase the

Reference: PIII.pdf, Page 21

C-1238

Description: The customer provides securities to the bank of 110, receives cash of 100, and commits to repurchase the securities at a specified future date.

Reference: PIII.pdf, Page 21

C-1239

Description: Further Options under the ASA – Option 2 Under Option 2, banks may maintain the SA beta factors of 12% and 15% for retail and

Reference: PI.pdf, Page 137

C-1240

Description: However, only external ratings provided by External Credit Assessment Institutions

Reference: PI.pdf, Page 138

C-1241

Description: However, only external ratings provided by External Credit Assessment Institutions (ECAIs) that have been recognized as eligible for that purpose by the Central Bank may be used.

Reference: PI.pdf, Page 138

C-1243

Description: The Central Bank also takes into account the criteria and conditions provided in the

Reference: PI.pdf, Page 138

C-1244

Description: The Central Bank also takes into account the criteria and conditions provided in the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies (IOSCO CRA Code) when

Reference: PI.pdf, Page 138

C-1248

Description: Moreover, assessments must be subject to ongoing review and responsive to changes in financial condition.

Reference: PI.pdf, Page 138

C-1249

Description: To establish that an ECAI fulfils this primary component of eligibility criteria, it must demonstrate

Reference: PI.pdf, Page 138

C-1257

Description: For this purpose, the ECAI should calculate and publish default studies,

Reference: PI.pdf, Page 139

C-1260

Description: The analysis should reflect a definition of default that is

Reference: PI.pdf, Page 139

C-1266

Description: The ECAI should be free from any economic or external political pressures that may

Reference: PI.pdf, Page 139

C-1267

Description: The ECAI should be free from any economic or external political pressures that may influence its credit ratings.

Reference: PI.pdf, Page 139

C-1268

Description: In particular, an ECAI should not delay or refrain from taking a rating

Reference: PI.pdf, Page 139

C-1270

Description: In particular, an ECAI should not delay or refrain from taking a rating action based on its potential effect (economic, political or otherwise).

Reference: PI.pdf, Page 139

C-1271

Description: The independence of an ECAI shall be assessed on the basis of the following five parameters:

Reference: PI.pdf, Page 139

C-1272

Description: The independence of an ECAI shall be assessed on the basis of the following five parameters: (i) Ownership: The ownership structure should not be such that it could jeopardize the

Reference: PI.pdf, Page 139

C-1273

Description: For example, the owners should not hold 10 percent or more of the equity of any entity rated by the ECAI.

Reference: PI.pdf, Page 139

C-1278

Description: (iii) Financial Resources: The ECAI must demonstrate that its business is financially

Reference: PI.pdf, Page 139

C-1279

Description: ratings, promotes integrity, and ensures that internal disagreements over ratings are resolved in ways that do not compromise the overall effectiveness of the rating process.

Reference: PI.pdf, Page 139

C-1280

Description: (iii) Financial Resources: The ECAI must demonstrate that its business is financially viable and is able to sustain any commercial pressure that might be exerted by external entities, including the entities being rated.

Reference: PI.pdf, Page 139

C-1281

Description: The ECAI's financial position should not depend significantly on the provision of other services to the rated entities.

Reference: PI.pdf, Page 139

C-1282

Description: (iv) External Conflict of Interest: The credit rating process of the ECAI should have the

Reference: PI.pdf, Page 139

C-1283

Description: (iv) External Conflict of Interest: The credit rating process of the ECAI should have the ability to withstand external pressures.

Reference: PI.pdf, Page 139

C-1284

Description: The ECAI should demonstrate that it is free from any type of external conflicts of interest, or that conflicts of interest are disclosed and managed.

Reference: PI.pdf, Page 139

C-1285

Description: (v) Separation: An ECAI should separate its rating business operationally, legally, and

Reference: PI.pdf, Page 139

C-1291

Description: A rating should be disclosed as soon as practicably possible after issuance.

Reference: PI.pdf, Page 140

C-1296

Description: To promote transparency and market discipline, an ECAI should demonstrate that it

Reference: PI.pdf, Page 140

C-1300

Description: The time horizons reflected in ratings; Rating definitions; Rating methods; Actual default rates experienced in each rating category; Rating transition matrices; Whether particular ratings are solicited or unsolicited; The date of last review and update of ratings;

Reference: PI.pdf, Page 140

C-1301

Description: Actual default rates experienced in each rating category; Rating transition matrices; Whether particular ratings are solicited or unsolicited; The date of last review and update of ratings; The general nature of compensation arrangements with rated entities; and Any actual or potential conflicts of interest.

Reference: PI.pdf, Page 140

C-1431

Description: This valuation must be accepted by an external auditor.

Reference: PI.pdf, Page 7

C-1432

Description: Question 5: Please clarify whether minority interest related to any other regulated financial entity (whichis not a bank) should be included or not.

Reference: PI.pdf, Page 7

C-1433

Description: Bank may include interim profit/ yearend profit in CET1 capital only if reviewed or audited by

Reference: PI.pdf, Page 7

C-1434

Description: (whichis not a bank) should be included or not.

Reference: PI.pdf, Page 7

C-1435

Description: Furthermore, the expected dividend should be deducted in Q4.

Reference: PI.pdf, Page 7

C-1438

Description: Goodwill and other intangible must be deducted in the calculation of CET1.

Reference: PI.pdf, Page 7

C-1439

Description: Question 10: Subsidiaries which are used for providing manpower services at cost, should these

Reference: PI.pdf, Page 7

C-1440

Description: The underlying process for the implementation of countercyclical buffers will be set and

Reference: PI.pdf, Page 7

C-1441

Description: The underlying process for the implementation of countercyclical buffers will be set and communicated during 2018.

Reference: PI.pdf, Page 7

C-1442

Description: The following list provides some examples of what would be considered to be an incentive to

Reference: PI.pdf, Page 7

C-1443

Description: However, as required by criteria 5, the bank must not do anything that creates an expectation that

Reference: PI.pdf, Page 7

C-1444

Description: However, as required by criteria 5, the bank must not do anything that creates an expectation that the call will be exercised.

Reference: PI.pdf, Page 7

C-1445

Description: The above is not an exhaustive list of what is considered an incentive to redeem and so banks should seek guidance from Central Bank on specific features and instruments.

Reference: PI.pdf, Page 7

C-1446

Description: Banks must not expect Central Bank to approve the exercise of a call option for the purpose of satisfying investor

Reference: PI.pdf, Page 7

C-1447

Description: However, the specification of multiple dates upon which a call might be exercised must not be used to create an expectation that the instrument will be redeemed at the first call

Reference: PI.pdf, Page 8

C-1448

Description: However, the specification of multiple dates upon which a call might be exercised must not be used to create an expectation that the instrument will be redeemed at the first call date, as this is prohibited by criterion.

Reference: PI.pdf, Page 8

C-1449

Description: must not be used to create an expectation that the instrument will be redeemed at the first call date, as this is prohibited by criterion.

Reference: PI.pdf, Page 8

C-1451

Description: For the purpose of the countercyclical capital buffer, banks should use, where possible,

Reference: PI.pdf, Page 8

C-1452

Description: For the purpose of the countercyclical capital buffer, banks should use, where possible, exposures on an “ultimate risk” basis.

Reference: PI.pdf, Page 8

C-1453

Description: This means that if the bank has a debt claim on an investment vehicle, the ultimate risk exposure should be allocated to the jurisdiction where the vehicle (or if applicable, its parent/guarantor)

Reference: PI.pdf, Page 8

C-1454

Description: If the bank has an equity claim, the ultimate risk exposure should be allocated

Reference: PI.pdf, Page 8

C-1455

Description: Amount not deducted to considered for aggregate threshold deduction 100 The remaining amount of 100 is to be distributed amongst the investments on a pro rata / proportionate basis and risk weighted at 250% (assuming no threshold deduction apply).The total of 250 RWA (100 *250%) will be distributed as follows.

Reference: PI.pdf, Page 9

C-1477

Description: If a bank relies on third-party calculations for determining the underlying risk weights of the exposures of the fund, the risk weights should be increased by a factor of 1.2 times to

Reference: PI.pdf, Page 83

C-1478

Description: If a bank relies on third-party calculations for determining the underlying risk weights of the exposures of the fund, the risk weights should be increased by a factor of 1.2 times to compensate for the fact that the bank cannot be certain about the accuracy of third-party

Reference: PI.pdf, Page 83

C-1480

Description: To ensure that all underlying risks are taken into account (including CCR) and that the

Reference: PI.pdf, Page 83

C-1481

Description: 84

CBUAE Classification: Public As with the LTA, for purposes of the MBA the RWA and assets of investment funds should,

Reference: PI.pdf, Page 84

C-1483

Description: Under the MBA, the bank should assume that the fund's assets are first invested to

Reference: PI.pdf, Page 84

C-1484

Description: Under the MBA, the bank should assume that the fund's assets are first invested to the maximum extent allowable in assets that would attract the highest risk weight, and then to the maximum extent allowable in the next riskiest type of asset, and so on until all of the fund's balance sheet assets have been assigned to a risk-weight category.

Reference: PI.pdf, Page 84

C-1485

Description: If more than one risk weight could be applied to a given exposure, the bank must use the maximum applicable risk weight.

Reference: PI.pdf, Page 84

C-1486

Description: For example, if the mandate does not place restrictions on the rating quality of the fund's investments in corporate bonds, the bank should apply a risk weight of 150% to the fund's corporate bond

Reference: PI.pdf, Page 84

C-1487

Description: When the notional amount of a fund's derivative exposure is unknown, the approach again is conservative: the bank should use the maximum notional amount of derivatives allowed

Reference: PI.pdf, Page 84

C-1488

Description: in corporate bonds, the bank should apply a risk weight of 150% to the fund's corporate bond positions.

Reference: PI.pdf, Page 84

C-1489

Description: When the PFE for derivatives is unknown, the PFE add-on should be

Reference: PI.pdf, Page 84

C-1490

Description: When the PFE for derivatives is unknown, the PFE add-on should be set at 15% of the notional value.

Reference: PI.pdf, Page 84

C-1491

Description: Thus, if the replacement costand PFE add-on both are unknown, a total multiplication factor of 1.15 must be applied to the notional amount to reflect the CCR

Reference: PI.pdf, Page 84

C-1492

Description: However, a bank is not required to apply the 1.5 factor for situations in which the CVA capital charge would not otherwise be applicable.

Reference: PI.pdf, Page 84

C-1493

Description: If the investment is one that the bank would be required to deduct from capital, then the investment

Reference: PI.pdf, Page 85

C-1512

Description: Treatment of Commodity Derivatives All commodity derivatives and off-balance sheet positions affected by changes in commodity prices should be included in the commodities risk measurement framework.

Reference: PI.pdf, Page 107

C-1513

Description: commodity prices should be included in the commodities risk measurement framework.

Reference: PI.pdf, Page 107

C-1514

Description: The market risk charge for options can be calculated using one of the following methods:

Reference: PI.pdf, Page 107

C-1515

Description: The market risk charge for options can be calculated using one of the following methods: the simplified approach an intermediate approach: the delta-plus method The more significant a bank's trading activities, the more sophisticated the approach it should use.

Reference: PI.pdf, Page 107

C-1516

Description: The following table shows which methods a bank can use:

Reference: PI.pdf, Page 107

C-1519

Description: In addition, the nominal value should be used for items where the

Reference: PI.pdf, Page 107

C-1520

Description: In addition, the nominal value should be used for items where the market value of the underlying instrument could be zero, such as caps and floors, swaptions, or similar instruments.

Reference: PI.pdf, Page 108

C-1521

Description: Options should be included in market risk calculations for each type of risk as a delta-

Reference: PI.pdf, Page 108

C-1551

Description: All other retail claims should be risk weighted at 100%.

Reference: PI.pdf, Page 27

C-1552

Description: property that is either self-occupied or rented out. The property must be fully mortgaged in favor

Reference: PI.pdf, Page 27

C-1553

Description: The property must be fully mortgaged in favor of the bank.

Reference: PI.pdf, Page 27

C-1554

Description: The value of the property will be maintained at the value at origination unless the Central

Reference: PI.pdf, Page 27

C-1555

Description: The value of the property will be maintained at the value at origination unless the Central Bank requires banks to revise the property value downward.

Reference: PI.pdf, Page 27

C-1557

Description: Such adjustment must be notified to the Central Bank.

Reference: PI.pdf, Page 27

C-1558

Description: A 35% risk weighting shall apply to eligible residential claims if the LTV ratio is less than

Reference: PI.pdf, Page 27

C-1561

Description: the loan should not be split.

Reference: PI.pdf, Page 27

C-1562

Description: Any additional exposure to a customer with loans for four individual properties shall be classified

Reference: PI.pdf, Page 27

C-1563

Description: For any past due loan, 100% Credit Conversion Factor (CCF) should be applied for the off-

Reference: PI.pdf, Page 27

C-1564

Description: For any past due loan, 100% Credit Conversion Factor (CCF) should be applied for the off- 28

CBUAE Classification: Public balance sheet component to calculate the credit risk-weighted assets.

Reference: PI.pdf, Page 28

C-1567

Description: the bank's business operations simultaneously. Such narrative should be based

Reference: PII.pdf, Page 21

C-1568

Description: Such narrative should be based on an analysis of the current economic conditions, the business environment and the operating conditions of the bank.

Reference: PII.pdf, Page 21

C-1572

Description: The scope of the narrative should take into account the

Reference: PII.pdf, Page 21

C-1573

Description: The scope of the narrative should take into account the economic environment and the features of each portfolio in scope.

Reference: PII.pdf, Page 21

C-1576

Description: In these additional stress scenarios the bank should analyse the impact under the assumption that the capital increase does not

Reference: PII.pdf, Page 21

C-1579

Description: All models employed in the quantification of stress results should comply with

Reference: PII.pdf, Page 21

C-1580

Description: bank should analyse the impact under the assumption that the capital increase does not materialise.

Reference: PII.pdf, Page 21

C-1582

Description: For the measurement of capital under stress, each bank should employ a dedicated

Reference: PII.pdf, Page 21

C-1583

Description: For the measurement of capital under stress, each bank should employ a dedicated financial model to forecast their financial statements under several economic conditions.

Reference: PII.pdf, Page 21

C-1584

Description: Such projection should be constructed over a minimum of three (3) years, in coherence with the

Reference: PII.pdf, Page 21

C-1640

Description: (e.g. an economic recession coupled with a tightening of market liquidity and declining asset prices). The scope of the narrative should take into account the

Reference: PII.pdf, Page 21

C-1716

Description: The stakeholders should regularly interact with each other during the production of the ICAAP in order to (i) obtain consistent forward-looking capital projections, and (ii) use capital 154

CBUAE Classification: Public projections consistently in their own decision-making.

Reference: PII.pdf, Page 7

C-1718

Description: Each bank should demonstrate its appropriate usage of the ICAAP via the production

Reference: PII.pdf, Page 7

C-1722

Description: Such components should include, but not be limited to, the business strategies, risk appetite

Reference: PII.pdf, Page 7

C-1727

Description: Adequate metrics and associated limits should be designed in relation to the bank's size and complexity.

Reference: PII.pdf, Page 7

C-1728

Description: The Central Bank shall evaluate evidence that the bank has embraced the process for

Reference: PII.pdf, Page 7

C-1734

Description: Each bank should have a capital plan approved by the Board.

Reference: PII.pdf, Page 7

C-1736

Description: The ICAAP should be designed as a tool to adequately support these objectives.

Reference: PII.pdf, Page 7

C-1740

Description: The ICAAP should be forward-looking taking into account both internal and external

Reference: PII.pdf, Page 7

C-1741

Description: The ICAAP should be forward-looking taking into account both internal and external drivers over a period covering three (3) to five (5) years.

Reference: PII.pdf, Page 7

C-1742

Description: The capital planning should take into account the bank's business plan, its strategic development and the economic environment.

Reference: PII.pdf, Page 7

C-1743

Description: The multi-year capital forecast should be assessed and calibrated through two

Reference: PII.pdf, Page 7

C-1745

Description: Both perspectives should be function of the bank's business plan.

Reference: PII.pdf, Page 7

C-1746

Description: In addition, the second perspective should incorporate a more granular, specific, and accurate measurement

Reference: PII.pdf, Page 7

C-1747

Description: Both perspectives should take into account the current, expected economic

Reference: PII.pdf, Page 7

C-1749

Description: It is 155

CBUAE Classification: Public expected to consider measures to maintain adequate capitalisation, reverse the trend, review

Reference: PII.pdf, Page 8

C-1750

Description: expected to consider measures to maintain adequate capitalisation, reverse the trend, review its strategy, and risk appetite.

Reference: PII.pdf, Page 8

C-1761

Description: CBUAE Classification: Public The appropriate supervisory delta must be assigned to each trade:

Reference: PI.pdf, Page 61

C-1762

Description: Crude Energy Trade 2 20,000 -1 1 the 'Crude Oil' Oil commodity type) Metals Silver Trade 3 10,000 1 1 10,000 Supervisory Factor For each commodity-type in a hedging set, the effective notional amount must be multiplied by

Reference: PI.pdf, Page 61

C-1763

Description: Collateralized, no value of the collateral after applicable haircuts, if positive (else margin RC=0) Collateralized and Same as the no margin case, unless TH+MTA-NICA (see margined definitions below) is greater than the resulting RC TH= positive threshold beforethecounterpartymust sendcollateraltothebank

Reference: PI.pdf, Page 63

C-1859

Description: One of the criteria necessary in order to recognize cash variation margin received as a form of pre-settlementpayment is that variation margin exchanged must be the full amount

Reference: PIII.pdf, Page 18

C-1860

Description: Where a bank provides clearing services as a “higher level client” within a multi-level

Reference: PIII.pdf, Page 18

C-1861

Description: a form of pre-settlementpayment is that variation margin exchanged must be the full amount necessary to extinguish the mark-to-market exposure of the derivative.

Reference: PIII.pdf, Page 18

C-1862

Description: Where a bank provides clearing services as a “higher level client” within a multi-level client structure, the bank need not recognize in its leverage ratio exposure measure the resulting trade exposures to the ultimate clearing member (CM) or to an entity that provides

Reference: PIII.pdf, Page 18

C-1863

Description: resulting trade exposures to the ultimate clearing member (CM) or to an entity that provides higher-level services to the bank if it meets specific conditions.

Reference: PIII.pdf, Page 18

C-1864

Description: To clarify, upon the insolvency of the clearing member, there must be no legal impediment

Reference: PIII.pdf, Page 18

C-1865

Description: To clarify, upon the insolvency of the clearing member, there must be no legal impediment (other than the need to obtain a court order to which the client is entitled) to the transfer of the collateral belonging to clients of a defaulting clearing member to the QCCP, to one or more other surviving clearing members or to the client or the client's nominee.

Reference: PIII.pdf, Page 18

C-1868

Description: Assessing whether trades are highly likely to be ported should consider factors such as a clear precedent for transactions being

Reference: PIII.pdf, Page 18

C-1869

Description: Assessing whether trades are highly likely to be ported should consider factors such as a clear precedent for transactions being ported at a QCCP, and industry intent for this practice to continue.

Reference: PIII.pdf, Page 18

C-1878

Description: The resulting exposure amount for a written credit derivative may be further reduced by the effective notional amount of a purchased credit derivative on the same reference name, provided that certain conditions are met.

Reference: PIII.pdf, Page 18

C-1879

Description: For example, the application of the same material terms would result in the following treatments:

Reference: PIII.pdf, Page 18

C-1882

Description: Specifically, the credit quality of the counterparty must not be positively correlated with the value of the

Reference: PIII.pdf, Page 18

C-1883

Description: This determination should reflect careful analysis of the actual risk; a legal connection does not

Reference: PIII.pdf, Page 18

C-1884

Description: credit quality of the counterparty must not be positively correlated with the value of the reference obligation (i.e.

Reference: PIII.pdf, Page 18

C-1885

Description: This determination should reflect careful analysis of the actual risk; a legal connection does not need to exist between the counterparty and the underlying reference entity.

Reference: PIII.pdf, Page 18

C-1889

Description: example, same counterparty, same maturity date). In these cases, the net position provides

Reference: PIII.pdf, Page 19

C-1890

Description: Gross SFT assets recognized for accounting purposes must not recognize any accounting netting of cash payables against cash

Reference: PIII.pdf, Page 19

C-1891

Description: Where a bank acting as an agent in an SFT does not provide an indemnity or

Reference: PIII.pdf, Page 19

C-1892

Description: Where a bank acting as an agent in an SFT does not provide an indemnity or guarantee to any of the involved parties, the bank is not exposed to the SFT and therefore need not recognize those SFTs in its leverage ratio exposure measure.

Reference: PIII.pdf, Page 19

C-1895

Description: However, this does not apply to client omnibus accounts that are used by agent lenders to hold and manage client collateral provided that client collateral is segregated from

Reference: PIII.pdf, Page 19

C-1896

Description: Where there is an undertaking to provide a commitment on an off-balance-sheet item,

Reference: PIII.pdf, Page 19

C-1898

Description: Question 2: Should aspects of derivatives exposures or SFT exposures that are on

Reference: PIII.pdf, Page 20

C-1899

Description: Question 2: Should aspects of derivatives exposures or SFT exposures that are on the balance sheet be included as part of on-balance-sheet exposure, or as part of derivatives or SFT exposure?

Reference: PIII.pdf, Page 20

C-1900

Description: Those exposures related to derivatives or SFTs should be excluded from the on-

Reference: PIII.pdf, Page 20

C-1902

Description: The analysis should include a robust and conservative forecast of

Reference: PII.pdf, Page 14

C-1907

Description: Given the potential impact from operational risk, each bank should evaluate under

Reference: PII.pdf, Page 14

C-1908

Description: Given the potential impact from operational risk, each bank should evaluate under Pillar 2 risks arising from business conduct risks and money laundering / financing of terrorism.

Reference: PII.pdf, Page 14

C-1909

Description: In addition, each bank should consider internal and external operational risks faced by it,

Reference: PII.pdf, Page 14

C-1910

Description: In addition, each bank should consider internal and external operational risks faced by it, including but not limited to operational cyber risk, IT risks, and outsourcing, and each bank is expected to consider ways in which it can improve its operational resilience.

Reference: PII.pdf, Page 14

C-1912

Description: Pillar 2 risks arising from business conduct risks and money laundering / financing of terrorism.

Reference: PII.pdf, Page 14

C-1917

Description: Each bank should perform a detailedrisk analysis specific to the Real Estate exposures

Reference: PII.pdf, Page 14

C-1920

Description: This risk should warrant particular attention from each bank.

Reference: PII.pdf, Page 14

C-1925

Description: Therefore each bank should have a mechanism in place to identify and aggregate exposures across related entities based on their legal relationships.

Reference: PII.pdf, Page 14

C-1928

Description: These methods should be developed further, as deemed

Reference: PII.pdf, Page 14

C-1929

Description: These methods should be developed further, as deemed appropriate, in order to fully measure the additional capital.

Reference: PII.pdf, Page 14

C-1934

Description: While interest rate risk in the trading book is addressed under the Pillar 1 market risk framework, the interest rate risk in the banking book should be addressed under Pillar 2.

Reference: PII.pdf, Page 15

C-1935

Description: Each bank should define a risk appetite pertaining to IRRRB that should be approved

Reference: PII.pdf, Page 15

C-1936

Description: Each bank should define a risk appetite pertaining to IRRRB that should be approved by the Board and implemented through a comprehensive risk appetite framework, i.e.

Reference: PII.pdf, Page 15

C-1939

Description: The assessment should include all positions of each bank's potential basis risk, re-

Reference: PII.pdf, Page 15

C-1940

Description: The assessment should include all positions of each bank's potential basis risk, re- pricing gaps, commercial margins, gaps for material currencies optionality, and non-maturing deposits.

Reference: PII.pdf, Page 15

C-1941

Description: The quantitative impact analysis should be supported by description and analysis of

Reference: PII.pdf, Page 15

C-1943

Description: DSIBs and other banks with significant interest rate risk (IRR) exposure should

Reference: PII.pdf, Page 15

C-1945

Description: For the purpose of capital calibration, each bank should employ the interest rate shock

Reference: PII.pdf, Page 15

C-1947

Description: The estimation of the Pillar 2 capital corresponding to IRRBB should be based on the

Reference: PII.pdf, Page 15

C-1948

Description: The estimation of the Pillar 2 capital corresponding to IRRBB should be based on the most conservative loss arising from (i) the change in the economic value of equity (ΔEVE), and (ii) the change in net interest income (ΔNII).

Reference: PII.pdf, Page 15

C-1949

Description: The most conservative result should be considered across all the scenarios calibrated by the bank.

Reference: PII.pdf, Page 15

C-1950

Description: (In avoidance of doubt, the allocated capital for IRRBB should not be lower than the maximum of the absolute EVE impact and the absolute

Reference: PII.pdf, Page 15

C-1952

Description: Simple models should not be confused with poorly designed models.

Reference: PII.pdf, Page 15

C-1953

Description: However, they cannot employ poorly designed models.

Reference: PII.pdf, Page 15

C-1954

Description: Each bank should manage model risk in accordance to the Central Bank

Reference: PII.pdf, Page 15

C-1956

Description: Model risk should be incorporated in each banks' risk framework alongside other key

Reference: PII.pdf, Page 15

C-1957

Description: Model risk should be incorporated in each banks' risk framework alongside other key risks, as inherent consequences of conducting their activities (refer to Appendix 3.2).

Reference: PII.pdf, Page 15

C-1958

Description: Consequently, model risk should be managed through a formal process incorporating the

Reference: PII.pdf, Page 15

C-1959

Description: Consequently, model risk should be managed through a formal process incorporating the bank's appetite for model uncertainty.

Reference: PII.pdf, Page 15

C-1960

Description: The framework should be designed to identify, measure,

Reference: PII.pdf, Page 15

C-1962

Description: A bank should mitigate a large appetite for model risk by

Reference: PII.pdf, Page 15

C-1965

Description: most conservative loss arising from (i) the change in the economic value of equity (ΔEVE), and (ii) the change in net interest income (ΔNII). The most conservative result should be considered

Reference: PII.pdf, Page 14

C-1978

Description: When determining the RC component of a netting set, the netting contract must not contain

Reference: PI.pdf, Page 37

C-1984

Description: If netting is not recognized, then netting sets still should be used for the calculation.

Reference: PI.pdf, Page 37

C-1985

Description: However, since each netting set must contain only trades that can be netted, each netting set is

Reference: PI.pdf, Page 37

C-1987

Description: However, since each netting set must contain only trades that can be netted, each netting set is likely to consist of a single transaction.

Reference: PI.pdf, Page 37

C-1988

Description: The calculations of EAD can still be performed, although

Reference: PI.pdf, Page 37

C-1989

Description: The calculations of EAD can still be performed, although they simplify considerably.

Reference: PI.pdf, Page 37

C-1990

Description: In that case, the CCR calculations should be performed for each netting set individually.

Reference: PI.pdf, Page 37

C-1993

Description: In general, banks should use a forward price or rate, ideally reflecting any interim cash flows on the underlying

Reference: PI.pdf, Page 39

C-1994

Description: The precise specification (including the values of the embedded constants of 14 and 15) is the result of an empirical exercise conducted by the

Reference: PI.pdf, Page 40

C-1996

Description: A supervisory volatility of 50% should be used on swaptions for all currencies.

Reference: PI.pdf, Page 40

C-1997

Description: 9. Note that there may be more than one netting set for a given counterparty. In that case, the CCR calculations should be performed for each netting set individually. The individual netting

Reference: PI.pdf, Page 36

C-1998

Description: free interest rate – which would ordinarily appear in this expression – is not included. In general, banks should use a forward price or rate, ideally reflecting any interim cash flows on the underlying

Reference: PI.pdf, Page 36

C-2004

Description: Accordingly, it may be acceptable for smaller and less complex banks to develop reverse stress tests that focus more on qualitative analyses, while larger and more banks that are complex should include more quantitative

Reference: PII.pdf, Page 31

C-2005

Description: A bank may consider implementing the following steps, which are presented purely for

Reference: PII.pdf, Page 31

C-2006

Description: The bank should understand the parameters and conditions in the scenario that

Reference: PII.pdf, Page 32

C-2007

Description: The bank should understand the parameters and conditions in the scenario that precipitate a failed reverse stress test to analyse its risks and weaknesses.

Reference: PII.pdf, Page 32

C-2034

Description: Bank should use ratings determined by an eligible External Credit Assessment Institution (ECAIs).

Reference: PI.pdf, Page 32

C-2035

Description: In addition, does the bank just follow the so-called GRE list or shall the bank apply the criteria to

Reference: PI.pdf, Page 32

C-2036

Description: In addition, does the bank just follow the so-called GRE list or shall the bank apply the criteria to classify entities as non-commercial PSE?

Reference: PI.pdf, Page 32

C-2037

Description: To classify entities as Non-commercial PSE, the Central Bank will consider in its approval process all seven criteria and in principle all seven criteria must be satisfied.

Reference: PI.pdf, Page 32

C-2040

Description: all seven criteria and in principle all seven criteria must be satisfied.

Reference: PI.pdf, Page 32

C-2041

Description: What is the expected frequency of such a review?

Reference: PI.pdf, Page 32

C-2054

Description: any of the criterion can be met to classify an entity as non-commercial PSE? In addition, does the bank just follow the so-called GRE list or shall the bank apply the criteria to

Reference: PI.pdf, Page 31

C-2058

Description: A bank that considers capital increases in it capital planning has to perform an

Reference: PII.pdf, Page 9

C-2059

Description: A bank that considers capital increases in it capital planning has to perform an additional stress test scenario to analyse the impact if the capital increase does not materialise.

Reference: PII.pdf, Page 9

C-2062

Description: CET 1, Tier 1, and CAR); (x) A method to calibrate capital needs to the current and expected levels of risks, in coherence with the bank's risk appetite, business plan, and strategy; (xi) It should include the likely future constraints on the availability and the use of

Reference: PII.pdf, Page 9

C-2066

Description: Under stress testing (ST) banks should fulfill the minimum capital

Reference: PII.pdf, Page 9

C-2068

Description: The capital planning should not be limited to risk-based capital ratios but should also

Reference: PII.pdf, Page 9

C-2069

Description: The capital planning should not be limited to risk-based capital ratios but should also consider the leverage ratio of the bank.

Reference: PII.pdf, Page 9

C-2076

Description: Risk materiality should depend on each bank's business model and risk profile.

Reference: PII.pdf, Page 9

C-2078

Description: The scope of such risk identification should cover the entire group, including all branches and subsidiaries of the

Reference: PII.pdf, Page 9

C-2080

Description: Given the growing risk universe outside of traditional Pillar 1 risks, each bank must define, update, and review the applicable

Reference: PII.pdf, Page 9

C-2081

Description: Given the growing risk universe outside of traditional Pillar 1 risks, each bank must define, update, and review the applicable ICAAP risks on a continuous basis (e.g.

Reference: PII.pdf, Page 9

C-2082

Description: The identification of risks should distinguish between direct risks and indirect risks.

Reference: PII.pdf, Page 9

C-2083

Description: The identification of risks should be supported by a regular and structured process.

Reference: PII.pdf, Page 9

C-2085

Description: This should support the production of ICAAP from one year to the next.

Reference: PII.pdf, Page 9

C-2089

Description: Each dedicated risk team should provide a comprehensive assessment of

Reference: PII.pdf, Page 9

C-2090

Description: Each dedicated risk team should provide a comprehensive assessment of the risk drivers and materiality of the risk they manage.

Reference: PII.pdf, Page 9

C-2091

Description: The estimation of the capital consumption associated with each risk should be based

Reference: PII.pdf, Page 9

C-2096

Description: The identification of risks should result in distinct types:

Reference: PII.pdf, Page 10

C-2097

Description: The identification of risks should result in distinct types: (i) Pillar 1 risks that are not fully captured and that are covered by insufficient capital.

Reference: PII.pdf, Page 10

C-2100

Description: The Use Test assumes that the method and conclusion of the ICAAP should be coherent with the bank's internal practices.

Reference: PII.pdf, Page 10

C-2101

Description: To ensure an adequate assessment of high quality, each bank should establish, and

Reference: PII.pdf, Page 10

C-2103

Description: The bank should conduct regular business model analysis (BMA) to assess its

Reference: PII.pdf, Page 10

C-2104

Description: The bank should conduct regular business model analysis (BMA) to assess its business and strategic risks to determine: (i) The ability of the bank's current business model to deliver suitable results over the following 12 months;

Reference: PII.pdf, Page 10

C-2105

Description: This analysis should consider the sources and levels of income

Reference: PII.pdf, Page 10

C-2108

Description: The business planning should be clear, aligned, and

Reference: PII.pdf, Page 10

C-2110

Description: Each bank should elaborate on the linkage and consistency between their strategic

Reference: PII.pdf, Page 10

C-2112

Description: Each bank should elaborate on the linkage and consistency between their strategic decisions, risk appetite, and the resources allocated for achieving those strategies.

Reference: PII.pdf, Page 10

C-2114

Description: balance sheet, profit and loss, and concentrations) regularly to verify that they

Reference: PII.pdf, Page 10

C-2115

Description: balance sheet, profit and loss, and concentrations) regularly to verify that they are consistent with the business model, risk appetite, and the achievement of the bank's strategic goals.

Reference: PII.pdf, Page 10

C-2116

Description: A well-designed and comprehensive BMA approach provides banks with the basis to understand, analyse, assess the sustainability of

Reference: PII.pdf, Page 10

C-2117

Description: A well-designed and comprehensive BMA approach provides banks with the basis to understand, analyse, assess the sustainability of their business models, enhance proactive, forward-looking operations, and strategy evaluation.

Reference: PII.pdf, Page 10

C-2118

Description: Each bank's business model should be based on analyses and realistic assumptions

Reference: PII.pdf, Page 10

C-2119

Description: Each bank's business model should be based on analyses and realistic assumptions (stress tests, scenario analyses, and driver analyses, etc.) about the effect of strategic choices on financial and economic outcomes of operations performed.

Reference: PII.pdf, Page 10

C-2120

Description: Each bank should perform an analysis that involves identifying, challenging the dependency of

Reference: PII.pdf, Page 10

C-2121

Description: (stress tests, scenario analyses, and driver analyses, etc.) about the effect of strategic choices on financial and economic outcomes of operations performed.

Reference: PII.pdf, Page 10

C-2122

Description: Each bank should perform an analysis that involves identifying, challenging the dependency of strategies on uncontrollable external factors, and assumptions (e.g.

Reference: PII.pdf, Page 10

C-2160

Description: Each bank should assess all its credit exposures and determine

Reference: PII.pdf, Page 12

C-2162

Description: Each bank should have the ability to assess credit risk at the portfolio level as well

Reference: PII.pdf, Page 12

C-2163

Description: Each bank should have the ability to assess credit risk at the portfolio level as well as at the exposure or counterparty level.

Reference: PII.pdf, Page 12

C-2164

Description: To ensure that each bank has sufficient capital allocated for credit risk, each bank

Reference: PII.pdf, Page 12

C-2165

Description: To ensure that each bank has sufficient capital allocated for credit risk, each bank should compare their capital consumption under two methods for all credit exposures across

Reference: PII.pdf, Page 12

C-2167

Description: The Central Bank recognises that some banks may not have appropriately calibrated

Reference: PII.pdf, Page 12

C-2169

Description: The Central Bank recognises that some banks may not have appropriately calibrated probability of defaults (PDs) for the calculation of the F-IRB approach.

Reference: PII.pdf, Page 12

C-2170

Description: In the absence of such calibration, banks should rely on their 1-year PD used for IFRS provisioning purposes.

Reference: PII.pdf, Page 12

C-2171

Description: Each bank should undertake this comparison at asset class level, where higher F-IRB numbers

Reference: PII.pdf, Page 12

C-2172

Description: Each bank should undertake this comparison at asset class level, where higher F-IRB numbers indicate additional required capital.

Reference: PII.pdf, Page 12

C-2173

Description: Drivers of material differences between the two approaches should be explained.

Reference: PII.pdf, Page 12

C-2174

Description: If a bank uses credit risk mitigation techniques (CRMT), it should analyse and evaluate

Reference: PII.pdf, Page 12

C-2175

Description: If a bank uses credit risk mitigation techniques (CRMT), it should analyse and evaluate the risks associated to such mitigation under Pillar 2 risks measurement.

Reference: PII.pdf, Page 12

C-2176

Description: The bank should analyse potential effects, the enforceability and the effectiveness of such CRMT, in particular in the case of real estate collaterals in order to estimate residual credit risk with prudence.

Reference: PII.pdf, Page 12

C-2178

Description: Under its ICAAP, each bank should assess its capital adequacy for market risk by

Reference: PII.pdf, Page 12

C-2180

Description: Each bank should start this assessment with the metrics already employed to measure market risk

Reference: PII.pdf, Page 12

C-2182

Description: The calibration of capital associated to Pillar 2 risks should be undertaken with prudence and should include risks such as concentration risk,

Reference: PII.pdf, Page 12

C-2183

Description: The calibration of capital associated to Pillar 2 risks should be undertaken with prudence and should include risks such as concentration risk, market illiquidity, basis risk, and jump-to-default risk.

Reference: PII.pdf, Page 12

C-2184

Description: Ultimately, market risk capital should be designed to protect the bank against market

Reference: PII.pdf, Page 12

C-2185

Description: Ultimately, market risk capital should be designed to protect the bank against market risk volatility over the long term, including periods of stress and high volatility.

Reference: PII.pdf, Page 13

C-2186

Description: Therefore, each 160

CBUAE Classification: Public bank should ensure that such calibration include appropriate stressed periods.

Reference: PII.pdf, Page 13

C-2187

Description: The analysis should be structured based on the bank's key drivers of market risk, including portfolios, asset

Reference: PII.pdf, Page 13

C-2188

Description: The analysis should be structured based on the bank's key drivers of market risk, including portfolios, asset classes, market risk factors, geographies, product types and tenors.

Reference: PII.pdf, Page 13

C-2189

Description: Each bank should analyse its amortised cost portfolio under Pillar 2, considering the

Reference: PII.pdf, Page 13

C-2190

Description: Each bank should analyse its amortised cost portfolio under Pillar 2, considering the difference between the market value against the book value.

Reference: PII.pdf, Page 13

C-2240

Description: movements in market factors such as interest rates, foreign exchange rates, equity prices, commodities prices, credit spreads, and options volatilities. Each bank should have

Reference: PII.pdf, Page 11

C-2263

Description: One example of such an off-balance- sheet exposure that may arise with securitisations is a commitment for servicer cash advances, under which a servicer enters into a contract to advance cash to ensure an uninterrupted flow of

Reference: PI.pdf, Page 92

C-2264

Description: The BCBS securitisation framework provides national discretion to permit

Reference: PI.pdf, Page 92

C-2265

Description: For example, if a bank holds notes as an investor but provides full credit support to those notes, its full credit support obligation precludes any loss from

Reference: PI.pdf, Page 92

C-2266

Description: If a bank can verify that fulfilling its obligations with respect to exposure

Reference: PI.pdf, Page 92

C-2267

Description: That is, splitting exposures into portions that overlap with another exposure held by the bank and other portions that do not overlap, or expanding exposures by assuming for capital purposes that obligations with respect to one of the overlapping exposures are larger than those established contractually.

Reference: PI.pdf, Page 92

C-2268

Description: A bank may also recognize overlap between exposures in the trading book and securitisation exposures in the banking book, provided that the bank is able to calculate and

Reference: PI.pdf, Page 92

C-2269

Description: exposures are larger than those established contractually.

Reference: PI.pdf, Page 92

C-2270

Description: A bank may also recognize overlap between exposures in the trading book and securitisation exposures in the banking book, provided that the bank is able to calculate and compare the capital charges for the relevant exposures.

Reference: PI.pdf, Page 92

C-2271

Description: External Ratings-Based Approach (SEC-ERBA) To be eligible for use in the securitisation framework, the external credit assessment must

Reference: PI.pdf, Page 92

C-2272

Description: securitisation exposures in the banking book, provided that the bank is able to calculate and compare the capital charges for the relevant exposures.

Reference: PI.pdf, Page 92

C-2273

Description: External Ratings-Based Approach (SEC-ERBA) To be eligible for use in the securitisation framework, the external credit assessment must take into account and reflect the entire amount of credit risk exposure the bank has with regard to all payments owed to it.

Reference: PI.pdf, Page 92

C-2274

Description: For example, if a bank is owed both principal and interest, the assessment must fully take into account and reflect the credit risk associated with timely

Reference: PI.pdf, Page 92

C-2275

Description: A bank is not permitted to use any external credit assessment for risk-weighting purposes where the assessment is at least partly based on unfunded support provided by the bank itself.

Reference: PI.pdf, Page 92

C-2276

Description: For example, if a bank buys ABCP where it provides an unfunded securitisation exposure

Reference: PI.pdf, Page 92

C-2277

Description: assessment must fully take into account and reflect the credit risk associated with timely repayment of both principal and interest.

Reference: PI.pdf, Page 92

C-2280

Description: plays a role in determining the credit assessment on the ABCP, the bank must treat the ABCP as if it were not rated.

Reference: PI.pdf, Page 93

C-2282

Description: 93

CBUAE Classification: Public External credit assessments used for the SEC-ERBA must be from an eligible external

Reference: PI.pdf, Page 93

C-2283

Description: the key elements underlying the assessments must be publicly available, on a non-selective basis

Reference: PI.pdf, Page 94

C-2284

Description: the key elements underlying the assessments must be publicly available, on a non-selective basis and free of charge.

Reference: PI.pdf, Page 94

C-2285

Description: Where the eligible credit assessment is not publicly available free of charge, the ECAI should provide an adequate justification, within its own publicly

Reference: PI.pdf, Page 94

C-2286

Description: Where the eligible credit assessment is not publicly available free of charge, the ECAI should provide an adequate justification, within its own publicly available code of conduct, in accordance with the "comply or explain" nature of the International

Reference: PI.pdf, Page 94

C-2287

Description: Where the eligible credit assessment is not publicly available free of charge, the ECAI should provide an adequate justification, within its own publicly available code of conduct, in accordance with the "comply or explain" nature of the International Organization of Securities Commissions' Code of Conduct Fundamentals for Credit Rating Agencies.

Reference: PI.pdf, Page 94

C-2289

Description: available code of conduct, in accordance with the "comply or explain" nature of the International Organization of Securities Commissions' Code of Conduct Fundamentals for Credit Rating Agencies.

Reference: PI.pdf, Page 94

C-2291

Description: Credit enhancements, if any, must be taken into account when assessing

Reference: PI.pdf, Page 94

C-2292

Description: Credit enhancements, if any, must be taken into account when assessing the relative subordination of the unrated exposure and the reference securitisation exposure.

Reference: PI.pdf, Page 94

C-2293

Description: For example, if the reference securitisationexposure benefits from any third-party guarantees or other credit enhancements that are not available to the unrated exposure, then the latter may not be

Reference: PI.pdf, Page 94

C-2294

Description: For example, if the reference securitisationexposure benefits from any third-party guarantees or other credit enhancements that are not available to the unrated exposure, then the latter may not be assigned an inferred rating based on the reference securitisation exposure.

Reference: PI.pdf, Page 94

C-2295

Description: In particular, in the case of swaps other than credit derivatives, the exposure should include the

Reference: PI.pdf, Page 94

C-2296

Description: In particular, in the case of swaps other than credit derivatives, the exposure should include the positive current market value times the risk weight of the swap provider.

Reference: PI.pdf, Page 94

C-2297

Description: Certain market practices may eliminate or at least significantly reduce the potential risk from a default of a swap provider.

Reference: PI.pdf, Page 94

C-2298

Description: Examples of such features could be: cash collateralization of the market value in combination with an agreement of prompt additional payments in case of an increase of the market value of the swap; or   minimum credit quality of the swap provider with the obligation to post collateral or present

Reference: PI.pdf, Page 94

C-2302

Description: However, this decomposition is a theoretical construction, and should not be viewed as creating a new securitisation transaction.

Reference: PI.pdf, Page 94

C-2303

Description: Similarly, the resulting sub- tranches should not be considered resecuritisations solely due to the

Reference: PI.pdf, Page 94

C-2304

Description: For a bank using the SEC-ERBA for the original securitisation exposure, the bank should

Reference: PI.pdf, Page 94

C-2305

Description: For a bank using the SEC-ERBA for the original securitisation exposure, the bank should use the risk weight of the original securitisation for the sub-tranche of highest priority.

Reference: PI.pdf, Page 94

C-2317

Description: additional payments in case of an increase of the market value of the swap; or minimum credit quality of the swap provider with the obligation to post collateral or present

Reference: PI.pdf, Page 94

C-2325

Description: If there is only one rating by a nominated ECAI for a particular claim, that rating should be used to determine the risk weight of the exposure.

Reference: PI.pdf, Page 144

C-2326

Description: If there are two ratings by nominated ECAIs that map to different risk weights, the higher risk weight must be applied.

Reference: PI.pdf, Page 144

C-2327

Description: If there are three or more ratings with different risk weights, the ratings corresponding to the two lowest risk weights should be referred to.

Reference: PI.pdf, Page 144

C-2329

Description: If different, the higher risk weight should be applied.

Reference: PI.pdf, Page 144

C-2330

Description: External ratings for one entity within a corporate group cannotbe used to risk weight other

Reference: PI.pdf, Page 144

C-2331

Description: External ratings for one entity within a corporate group cannotbe used to risk weight other entities within the same group.

Reference: PI.pdf, Page 144

C-2332

Description: A bank must treat a relevant exposure or the person to whom the bank has a relevant

Reference: PI.pdf, Page 144

C-2333

Description: A bank must treat a relevant exposure or the person to whom the bank has a relevant exposure as "unrated" for risk weighting purposes if that exposure or that person does not have a rating assigned to it by the ECAI otherwise used by the bank.

Reference: PI.pdf, Page 144

C-2336

Description: If not, the credit rating cannot be used, and the un-

Reference: PI.pdf, Page 144

C-2337

Description: If not, the credit rating cannot be used, and the un- assessed claim exposure should receive the risk weight for unrated claims.

Reference: PI.pdf, Page 144

C-2342

Description: Where exposures are risk-weighted based on the rating of an equivalent exposure to that borrower, foreign currency ratings should be used for exposures in foreign currency.

Reference: PI.pdf, Page 145

C-2343

Description: If there is a separate domestic currency rating, it should be used only to risk-weight exposures denominated

Reference: PI.pdf, Page 145

C-2344

Description: borrower, foreign currency ratings should be used for exposures in foreign currency.

Reference: PI.pdf, Page 145

C-2345

Description: Ongoing Review 35.

Reference: PI.pdf, Page 145

C-2346

Description: In this regard, the Central Bank conducts periodic reviews

Reference: PI.pdf, Page 145

C-2347

Description: In this regard, the Central Bank conducts periodic reviews of each recognized ECAI.

Reference: PI.pdf, Page 145

C-2348

Description: Any changes to the list of approved ECAIs or to the established

Reference: PI.pdf, Page 145

C-2350

Description: Banks that identify potential additional ECAIs for consideration by the Central Bank must

Reference: PI.pdf, Page 145

C-2352

Description: The banks should identify the types of claims to which the ECAIs

Reference: PI.pdf, Page 145

C-2353

Description: The banks should identify the types of claims to which the ECAIs ratings might be applied, as well as the geographies covered, and explain the need for, or value of, recognizing the ECAI as eligible.

Reference: PI.pdf, Page 145

C-2354

Description: Banks should provide a preliminary evaluation, subject to

Reference: PI.pdf, Page 145

C-2355

Description: established by the Central Bank.

Reference: PI.pdf, Page 145

C-2356

Description: Banks should provide a preliminary evaluation, subject to Central Bank review, of how the ECAI meets all of the eligibility criteria described above in this

Reference: PI.pdf, Page 145

C-2359

Description: The ECAI should provide evidence, subject to Central Bank review, that the ECAI

Reference: PI.pdf, Page 145

C-2374

Description: Each bank is required to establish several distinct forms of stress test exercises as

Reference: PII.pdf, Page 19

C-2375

Description: Each bank is required to establish several distinct forms of stress test exercises as described hereunder, however for the purposes of an ICAAP the minimum expectation is to conduct internal enterprise-wide stress tests and portfolio-level stress tests.

Reference: PII.pdf, Page 19

C-2378

Description: Such exercise should support strategic decision related to the risk

Reference: PII.pdf, Page 19

C-2382

Description: Deteriorating economic circumstances are typically the drivers for conducting unscheduled stress tests on a particular portfolio, for

Reference: PII.pdf, Page 19

C-2383

Description: Deteriorating economic circumstances are typically the drivers for conducting unscheduled stress tests on a particular portfolio, for example a declining outlook in the residential real estate sector would motivate a stress tests on the commensurate portfolio.

Reference: PII.pdf, Page 19

C-2384

Description: Consequently, these exercises should support, motivate strategic, and tactical

Reference: PII.pdf, Page 19

C-2387

Description: The frequency of stress test exercises should depend on their type, scope, depth, and

Reference: PII.pdf, Page 19

C-2388

Description: Each bank should execute enterprise-wide stress tests based

Reference: PII.pdf, Page 19

C-2389

Description: Each bank should execute enterprise-wide stress tests based on a set of scenarios regularly at least quarterly is recommend.

Reference: PII.pdf, Page 19

C-2392

Description: Market risk stress tests in particular may have to be performed more

Reference: PII.pdf, Page 19

C-2393

Description: The capital impact results of these stress tests should be analysed, compared,

Reference: PII.pdf, Page 19

C-2394

Description: The capital impact results of these stress tests should be analysed, compared, incorporated, and presented in the ICAAP.

Reference: PII.pdf, Page 19

C-2395

Description: One or several internal enterprise-wide stress test outcomes should be explicitly incorporated in the capital planning, and presented accordingly

Reference: PII.pdf, Page 19

C-2396

Description: The results from all types of stress tests exercise should

Reference: PII.pdf, Page 19

C-2398

Description: Stress test scenarios should be designed to capture the risks and potential losses

Reference: PII.pdf, Page 19

C-2399

Description: Stress test scenarios should be designed to capture the risks and potential losses appropriately, in coherence with the characteristics of each bank's risk profile and portfolio.

Reference: PII.pdf, Page 19

C-2400

Description: The scope of these scenarios should cover all the risks identified as part of the identification

Reference: PII.pdf, Page 19

C-2402

Description: At a minimum, the scope of risks should cover strategic

Reference: PII.pdf, Page 19

C-2403

Description: At a minimum, the scope of risks should cover strategic risk, credit risk, market risk, counterparty risk, operational risk, liquidity risk, IRRBB, credit concentration risk, funding risk, reputational risk, and climate risk.

Reference: PII.pdf, Page 19

C-2404

Description: Stress scenarios should lead to a reliable measurement of loss under extreme but

Reference: PII.pdf, Page 19

C-2405

Description: Consequently, the scenario design should be supported by a

Reference: PII.pdf, Page 19

C-2444

Description: down exercises, with the objective to capture a wide scope of risks and portfolios. Such exercise should support strategic decision related to the risk

Reference: PII.pdf, Page 19

C-2445

Description: 111. The frequency of stress test exercises should depend on their type, scope, depth, and on the wider economic context. Each bank should execute enterprise-wide stress tests based

Reference: PII.pdf, Page 19

C-2479

Description: However, each bank should demonstrate that they have implemented steps to measure the potential

Reference: PII.pdf, Page 17

C-2480

Description: However, each bank should demonstrate that they have implemented steps to measure the potential losses arising from model risk.

Reference: PII.pdf, Page 17

C-2481

Description: At minimum, each bank should implement a grouping approach

Reference: PII.pdf, Page 17

C-2482

Description: At minimum, each bank should implement a grouping approach to categorise models according to their associated model risk.

Reference: PII.pdf, Page 17

C-2483

Description: The uncertainty and losses arising from models should be estimated by using a range of different techniques, including:

Reference: PII.pdf, Page 17

C-2484

Description: The uncertainty and losses arising from models should be estimated by using a range of different techniques, including: (i) Internal and external validations; (ii) Comparison against alternative models; (iii) Sensitivity analysis; and (iv) Stress tests.

Reference: PII.pdf, Page 17

C-2488

Description: Furthermore, each bank should be aware that the Central Bank as a

Reference: PII.pdf, Page 17

C-2489

Description: Furthermore, each bank should be aware that the Central Bank as a matter of principle will not take into account inter-risk diversification in the SREP.

Reference: PII.pdf, Page 17

C-2490

Description: Banks should be cognisant of this when applying inter-risk diversification in its ICAAP.

Reference: PII.pdf, Page 17

C-2491

Description: Each bank should use scenario analysis and stress tests to improve the risk identification process, to

Reference: PII.pdf, Page 17

C-2493

Description: The results derived 165

CBUAE Classification: Public from stress tests can also assist the bank in determining the appropriate appetite for different types of risks and in estimating the amount of capital that should be set aside to cover them.

Reference: PII.pdf, Page 18

C-2494

Description: Each bank is required to implement a stress testing framework to address both the

Reference: PII.pdf, Page 18

C-2496

Description: Stress tests and the stress test outcome analysis should not be confined to the ICAAP.

Reference: PII.pdf, Page 18

C-2497

Description: It should be designed to support decision- making across the bank as explained in this section.

Reference: PII.pdf, Page 18

C-2498

Description: Each bank should perform an in-depth review of its potential vulnerabilities, capturing

Reference: PII.pdf, Page 18

C-2499

Description: analysis should not be confined to the ICAAP.

Reference: PII.pdf, Page 18

C-2501

Description: As part of the ICAAP exercise, each bank should carry out integrated, regular, rigorous,

Reference: PII.pdf, Page 18

C-2502

Description: As part of the ICAAP exercise, each bank should carry out integrated, regular, rigorous, and forward-looking stress tests that are appropriate to the nature of the bank's business model and major sources of risk.

Reference: PII.pdf, Page 18

C-2503

Description: The frequency should be annually and more frequently, when

Reference: PII.pdf, Page 18

C-2504

Description: The frequency should be annually and more frequently, when necessary, depending on the individual circumstances.

Reference: PII.pdf, Page 18

C-2506

Description: The Board is responsible for the effective implementation of the stress tests framework

Reference: PII.pdf, Page 18

C-2515

Description: 97. The Central Bank recognises that the estimation of model risk is challenging. However, each bank should demonstrate that they have implemented steps to measure the potential

Reference: PII.pdf, Page 17

C-2638

Description: If operational risks were not sufficiently covered under Pillar I, then the uncovered risk should be part of the Pillar 2 ICAAP calculation.

Reference: PI.pdf, Page 132

C-2639

Description: Bank's commission income earned on insurance products that are sold on behalf of insurance companies." Any income which the bank earns out of the bancassurace should be treated as income derived

Reference: PI.pdf, Page 132

C-2652

Description: multi- asset or hybrid derivatives) must be allocated to more than one asset class when the material risk

Reference: PI.pdf, Page 40

C-2653

Description: The full amount of the trade must be included in the PFE

Reference: PI.pdf, Page 40

C-2654

Description: These examples are provided as illustrations, and do not

Reference: PI.pdf, Page 40

C-2655

Description: These examples are provided as illustrations, and do not represent an exhaustive list.

Reference: PI.pdf, Page 40

C-2658

Description: The Basel framework does not provide a specific treatment of unrated reference

Reference: PI.pdf, Page 40

C-2659

Description: For an entity for which a credit rating is not available, a bank should use the Supervisory

Reference: PI.pdf, Page 40

C-2660

Description: For an entity for which a credit rating is not available, a bank should use the Supervisory Factor corresponding to BBB.

Reference: PI.pdf, Page 40

C-2661

Description: However, where the exposure is associated with an elevated risk of default, the bank should use the Supervisory Factor for BB.

Reference: PI.pdf, Page 40

C-2662

Description: In this context, “elevated risk of default” should also be understood to include instances in which it is difficult or impossible to

Reference: PI.pdf, Page 40

C-2663

Description: In this context, “elevated risk of default” should also be understood to include instances in which it is difficult or impossible to assess adequately whether the exposure has high risk of loss due to default by the obligor.

Reference: PI.pdf, Page 40

C-2664

Description: A bank trading credit derivatives referencing unrated entities should conduct their own analysis to

Reference: PI.pdf, Page 40

C-2665

Description: The prices of commodities of a given type may not move precisely in lock step, but they

Reference: PI.pdf, Page 40

C-2667

Description: They should also not be worded in a way that makes it unclear whether they do

Reference: PI.pdf, Page 18

C-2668

Description: Terms and conditions must be worded clearly.

Reference: PI.pdf, Page 18

C-2672

Description: The instrument should not be subject to set-off or netting arrangements that would undermine the

Reference: PI.pdf, Page 18

C-2673

Description: The instrument should not be subject to set-off or netting arrangements that would undermine the instrument's capacity to absorb losses.

Reference: PI.pdf, Page 18

C-2674

Description: Any notice for redemption should become void and null as soon as the Central Bank declares that a PONV

Reference: PI.pdf, Page 18

C-2676

Description: Changes must be legally enforceable.

Reference: PI.pdf, Page 18

C-2678

Description: No provision should link a change in payments to contractual, statutory or other

Reference: PI.pdf, Page 18

C-2679

Description: No provision should link a change in payments to contractual, statutory or other obligations, as payments are fully discretionary.

Reference: PI.pdf, Page 18

C-2680

Description: Payments should also not be linked to payments on other Additional Tier 1 instruments.

Reference: PI.pdf, Page 18

C-2681

Description: However, stoppers must not impede the full discretion that bank must have at all times to

Reference: PI.pdf, Page 18

C-2682

Description: However, stoppers must not impede the full discretion that bank must have at all times to cancel distributions/payments on the instrument, nor must they act in a way that could hinder the

Reference: PI.pdf, Page 18

C-2817

Description: two are different, the higher of the two risk weights should be applied.

Reference: PI.pdf, Page 77

C-2818

Description: Question 10: If a counterparty is within a legal organizational structure that includes multiple entities with different ratings, which rating should be used for the CVA capital

Reference: PI.pdf, Page 77

C-2819

Description: The bank should use the rating for the entity that is actually obligated as a counterparty to the

Reference: PI.pdf, Page 77

C-2820

Description: Question 12: We prefer to map unrated counterparties to CCC asa conservative treatment; is that acceptable, or must they be mapped to BBB?

Reference: PI.pdf, Page 77

C-2821

Description: The bank is free to apply a more conservative treatment to unrated counterparties, and should do

Reference: PI.pdf, Page 77

C-2822

Description: The bank is free to apply a more conservative treatment to unrated counterparties, and should do so if it considers the more conservative treatment to be appropriate.

Reference: PI.pdf, Page 77

C-2823

Description: However, the bank should be consistent in its approach, and should not apply this process in a way that might reduce

Reference: PI.pdf, Page 77

C-2825

Description: Question 13: Should all SFT exposures be considered in scope for the CVA calculation, or

Reference: PI.pdf, Page 77

C-2826

Description: Question 13: Should all SFT exposures be considered in scope for the CVA calculation, or only those that create gross SFT assets per the leverage ratio exposure measure?

Reference: PI.pdf, Page 77

C-2827

Description: All SFTs should be reflected in the CVA calculation, whether or not they create non-zero gross

Reference: PI.pdf, Page 77

C-2828

Description: All SFTs should be reflected in the CVA calculation, whether or not they create non-zero gross SFT asset values for the leverage ratio.

Reference: PI.pdf, Page 77

C-2829

Description: No, haircuts should not be applied – use the fair value without haircuts.

Reference: PI.pdf, Page 77

C-2830

Description: Yes, that approach is acceptable, provided it is applied consistently.

Reference: PI.pdf, Page 77

C-2833

Description: 77

CBUAE Classification: Public Question 17: Will the Central Bank establish a specific quantitative materiality threshold

Reference: PI.pdf, Page 77

C-2834

Description: 77

CBUAE Classification: Public Question 17: Will the Central Bank establish a specific quantitative materiality threshold to determine whether SFTs are in scope for CVA capital?

Reference: PI.pdf, Page 77

C-2835

Description: The Central Bank does not intend to establish a specific threshold, but instead will determine the

Reference: PI.pdf, Page 77

C-2836

Description: Suppose for example that a bank has two credit derivatives that depend on the performance of Company A and Company B (that is, those are the underlying reference

Reference: PI.pdf, Page 77

C-2837

Description: Question 19: Should we multiply the sum of replacement cost and potential future

Reference: PI.pdf, Page 77

C-2839

Description: Yes, that is correct; the same multiplicative scaling factor of 1.4 should be used for the CVA

Reference: PI.pdf, Page 77

C-2840

Description: Incurred CVA losses should be used toreduce EAD.

Reference: PI.pdf, Page 78

C-2841

Description: Example: Derivatives Portfolio for the Bank # Counterparty Name Credit Rating CCR Exposure Maturity 1 Galaxy Financial AA 800 3 years 2 Solar Systems BB 200 1 year The bank must compute the supervisory discount factor, DF, for each of the two counterparties.

Reference: PI.pdf, Page 78

C-2842

Description: Using these supervisory discount factors, the bank calculates single-name exposure for each counterparty, taking into account the fact that there are no eligible CVA hedges: = × =800×2.786=2229 1 1 1 = × =200×0.975=195 2 2 2 The bank must also determine the appropriate risk weights for each of these single-name

Reference: PI.pdf, Page 78

C-2843

Description: 2 2 2 The bank must also determine the appropriate risk weights for each of these single-name exposures.

Reference: PI.pdf, Page 78

C-2845

Description: CBUAE Classification: Public =2.33√(0.5× × +0.5× ×)2+0.75×(×)2+0.75×(×)2 1 1 2 2 1 1 2 2 =2.33√(0.5×0.007×2229+0.5×0.02×195)2+0.75×(0.007×2229)2+0.75×(0.02×195)2 =2.33√(7.80+1.95)2+0.75×(15.60)2+0.75×(3.90)2 =2.33√95.06+182.52+11.41=2.33√288.99=39.61 In the final step, the bank must compute RWA for CVA using the multiplicative factor of 12.5 as

Reference: PI.pdf, Page 79

C-2849

Description: Thus, the calculation must now take into account the impact of an eligible single-name CVA hedge, with

Reference: PI.pdf, Page 79

C-2850

Description: the calculation must now take into account the impact of an eligible single-name CVA hedge, with H 1 = 400 and M h = 2.

Reference: PI.pdf, Page 79

C-2851

Description: The bank must compute the supervisory discount factor for the CVA hedge:

Reference: PI.pdf, Page 79

C-2854

Description: credit quality deteriorates. The notional value of the CDS is 400, with a maturity of 2 years. Thus, the calculation must now take into account the impact of an eligible single-name CVA hedge, with

Reference: PI.pdf, Page 77

C-2866

Description: Replacement Cost Calculation The replacement cost is calculated at the netting set level as a simple algebraic sum (floored at zero) of the derivatives' market values at the reference date, provided that value is positive.

Reference: PI.pdf, Page 58

C-2867

Description: zero) of the derivatives' market values at the reference date, provided that value is positive.

Reference: PI.pdf, Page 58

C-2868

Description: Trade 1 100 100 barrels 10,000 Trade 2 100 200 barrels 20,000 Trade 3 20 500 ounces 10,000 60

CBUAE Classification: Public The appropriate supervisory delta must be assigned to each trade:

Reference: PI.pdf, Page 60

C-2967

Description: Question 14: In Sheet CR5, for "Unrated" Category, should we include the Post CRM

Reference: PIII.pdf, Page 11

C-2969

Description: Question 14: In Sheet CR5, for "Unrated" Category, should we include the Post CRM and CCF amounts in their respective Risk Weight categories or should we club it

Reference: PIII.pdf, Page 11

C-2971

Description: and CCF amounts in their respective Risk Weight categories or should we club it under “Others”?

Reference: PIII.pdf, Page 11

C-2976

Description: All entities that are consolidated by the bank must be included.

Reference: PIII.pdf, Page 12

C-2979

Description: They are based on a foundational principle: that a bank that takes higher risks should have higher capital to compensate.

Reference: PIII.pdf, Page 14

C-2980

Description: Even though the leverage ratio has been designed as a backstop, it must be a meaningful backstop if it is to serve its intended purpose.

Reference: PIII.pdf, Page 14

C-2992

Description: temporarily exempting certain central bank “reserves” from the leverage ratio exposure measure to facilitate the implementation of monetary policies in exceptional macroeconomic circumstances.

Reference: PIII.pdf, Page 15

C-2994

Description: measure to facilitate the implementation of monetary policies in exceptional macroeconomic circumstances.

Reference: PIII.pdf, Page 15

C-2996

Description: Liability items must not be deducted from the leverage ratio exposure measure.

Reference: PIII.pdf, Page 16

C-2997

Description: For example, gains/losses on fair valued liabilities or accounting value adjustments on derivative liabilities due to changes in the bank's own credit risk must not be deducted from the leverage

Reference: PIII.pdf, Page 16

C-2998

Description: On-Balance Sheet Exposures Where a bank recognizes fiduciary assets on the balance sheet, these assets can be excluded from the leverage ratio exposure measure provided that the assets meet the IFRS

Reference: PIII.pdf, Page 16

C-2999

Description: Valid bilateral netting contracts can reduce the exposure amount, but 196

CBUAE Classification: Public collateral received generally cannot.

Reference: PIII.pdf, Page 17

C-3000

Description: 196

CBUAE Classification: Public collateral received generally cannot.

Reference: PIII.pdf, Page 17

C-3002

Description: collateral received generally cannot.

Reference: PIII.pdf, Page 17

C-3003

Description: However, where a bank has a cross- product netting agreement in place that meets the eligibility criteria; it may choose to perform

Reference: PIII.pdf, Page 17

C-3004

Description: exposure for certain derivative instruments because they are held (completely) off balance sheet, the bank must use the sum of positive fair values of these derivatives as the replacement cost.

Reference: PIII.pdf, Page 17

C-3005

Description: However, where a bank has a cross- product netting agreement in place that meets the eligibility criteria; it may choose to perform netting separately in each product category provided that all other conditions for netting in

Reference: PIII.pdf, Page 17

C-3099

Description: To help and ensure a consistent and transparent implementation of Capital supply

Reference: PI.pdf, Page 2

C-3102

Description: For unrealized fair value reserves relating to financial instruments to be included in CET1 capital banks and their auditor must only recognize such gains or losses that are prudently valued

Reference: PI.pdf, Page 3

C-3103

Description: The amount of cumulative unrealized losses arising from the changes in fair value of financial instruments, including loans/financing and receivables, classified as "available-for-sale" shall be fully deducted in the calculation of CET1 Capital.

Reference: PI.pdf, Page 3

C-3104

Description: capital banks and their auditor must only recognize such gains or losses that are prudently valued and independently verifiable (e.g.

Reference: PI.pdf, Page 3

C-3105

Description: Revaluation reserves or cumulative unrealized gains shall be added to CET 1 with a

Reference: PI.pdf, Page 3

C-3106

Description: shall be fully deducted in the calculation of CET1 Capital.

Reference: PI.pdf, Page 3

C-3107

Description: IFRS9 will be implemented during 2018.

Reference: PI.pdf, Page 3

C-3108

Description: Banks that are impacted significantly from the implementation of IFRS9 may approach the Central Bank to apply for a transition period for the

Reference: PI.pdf, Page 3

C-3111

Description: implementation of IFRS9 may approach the Central Bank to apply for a transition period for the IFRS9 impact.

Reference: PI.pdf, Page 3

C-3112

Description: Current financial year's/quarter's profits can only be taken into account after they are properly audited/ reviewed by the external auditors of the bank.

Reference: PI.pdf, Page 3

C-3120

Description: However, amounts that are not deducted must be included

Reference: PI.pdf, Page 4

C-3121

Description: However, amounts that are not deducted must be included in risk weighted assets.

Reference: PI.pdf, Page 4

C-3122

Description: Furthermore, any counterparty credit risk (under CR2a) associated with such exposure must remain included in the calculation of risk

Reference: PI.pdf, Page 4

C-3124

Description: associated with such exposure must remain included in the calculation of risk weighted asset.

Reference: PI.pdf, Page 4

C-3127

Description: When considering the jurisdiction to which a private sector credit exposure relates, banks should use,

Reference: PI.pdf, Page 4

C-3128

Description: When considering the jurisdiction to which a private sector credit exposure relates, banks should use, where possible, an ultimate risk basis; i.e.

Reference: PI.pdf, Page 4

C-3129

Description: it should use the country where the guarantor of the

Reference: PI.pdf, Page 4

C-3130

Description: considering the jurisdiction to which a private sector credit exposure relates, banks should use, where possible, an ultimate risk basis; i.e. it should use the country where the guarantor of the

Reference: PI.pdf, Page 1

C-3172

Description: Netting Question A1: Does a bank need written approval for each netting agreement it has in place, or will the Central Bank provide a list of pre-approved jurisdictions or counterparties?

Reference: PI.pdf, Page 46

C-3173

Description: The bank should establish an internal process that considers the factors identified in the

Reference: PI.pdf, Page 46

C-3175

Description: The Central Bank will review the identification of netting sets as part of the supervisory process,

Reference: PI.pdf, Page 46

C-3177

Description: The Central Bank will not provide a list of pre-approved jurisdictions or counterparties.

Reference: PI.pdf, Page 46

C-3178

Description: Collateral Question B1: What haircuts should be applied to collateral for the calculations of exposure

Reference: PI.pdf, Page 46

C-3181

Description: Yes, derivatives with exposure to more than one primary risk factor should be allocated to all

Reference: PI.pdf, Page 47

C-3182

Description: Yes, derivatives with exposure to more than one primary risk factor should be allocated to all relevant asset classes for the PFE calculation, so this transaction should be included in its full

Reference: PI.pdf, Page 47

C-3183

Description: Yes, derivatives with exposure to more than one primary risk factor should be allocated to all relevant asset classes for the PFE calculation, so this transaction should be included in its full amount in both the Foreign Exchange hedging set and the Interest Rate hedging set.

Reference: PI.pdf, Page 47

C-3184

Description: Question C2: In a cross-currency swap with principal exchange at the beginning and at the end, and with fixed-rate to fixed-rate interest exchange so that there is no interest rate risk, should this trade be included only in the foreign currency category?

Reference: PI.pdf, Page 47

C-3185

Description: Yes, it should be treated as FX exposure.

Reference: PI.pdf, Page 47

C-3187

Description: However, if netting is not permitted, should the Supervisory Delta be set to +1 for all the short (as well as the long) positions?

Reference: PI.pdf, Page 47

C-3188

Description: In principle, the Supervisory Delta should be -1 if the position is short.

Reference: PI.pdf, Page 47

C-3189

Description: a long call and a long put), which Supervisory Delta should be used?

Reference: PI.pdf, Page 47

C-3190

Description: In the case of positions that involve combinations of options, the position should be decomposed

Reference: PI.pdf, Page 47

C-3191

Description: In the case of positions that involve combinations of options, the position should be decomposed into its simpler option components, appropriate Supervisory Deltas determined for each component, and the weighted average Supervisory Delta applied to the position as a whole.

Reference: PI.pdf, Page 47

C-3192

Description: As noted above, in the case of positions that involve combinations of options, the position should

Reference: PI.pdf, Page 47

C-3193

Description: Question D5: Should the same set of Supervisory Deltas be used in the case of path

Reference: PI.pdf, Page 48

C-3194

Description: Question D5: Should the same set of Supervisory Deltas be used in the case of path dependent options such as barrier options, or other complex options?

Reference: PI.pdf, Page 48

C-3195

Description: For such products, the simple option delta formula may not be appropriate.

Reference: PI.pdf, Page 48

C-3197

Description: the simple option delta formula may not be appropriate.

Reference: PI.pdf, Page 48

C-3200

Description: Banks should certainly use more analytically appropriate deltas for internal purposes such as

Reference: PI.pdf, Page 48

C-3201

Description: end, and with fixed-rate to fixed-rate interest exchange so that there is no interest rate risk, should this trade be included only in the foreign currency category?

Reference: PI.pdf, Page 46

C-3202

Description: dependent options such as barrier options, or other complex options? For such products, the simple option delta formula may not be appropriate.

Reference: PI.pdf, Page 46

C-3484

Description: This guidance explains how banks should comply with the Tier Capital Instruments

Reference: PI.pdf, Page 17

C-3488

Description: Prudential clauses of importance from a prudential point of view should not be written in

Reference: PI.pdf, Page 17

C-3536

Description: different risk weights, the two ratings that correspond to the lowest risk weights should be referred to.

Reference: PI.pdf, Page 76

C-3597

Description: Banks must determine whether the ultimate counterparty is a private sector exposure, as well as

Reference: PI.pdf, Page 4

C-3599

Description: The charge for the relevant portfolio should be allocated to the geographic regions of the

Reference: PI.pdf, Page 4

C-3600

Description: The amount of intangible assets to be deducted should be net of any associated deferred

Reference: PI.pdf, Page 5

C-3603

Description: The book value of an investment shall be in accordance with the applicable accountingframework

Reference: PI.pdf, Page 6

C-3605

Description: Hedging set USD, time bucket 2: D = -1 * 36,253,849 * 1 = -36,253,849 53

CBUAE Classification: Public Hedging set EUR, time bucket 3: D = -0.27 * 37,427,961 * 1 = -10,105,550 Apply Supervisory Factor The add-on must be calculated for each hedging set.

Reference: PI.pdf, Page 53

C-3765

Description: the exposures of the fund, the risk weights should be increased by a factor of 1.2 times to

Reference: PI.pdf, Page 84

C-3814

Description: Nonetheless, banks should attempt to minimize unrecognized basis risk through

Reference: PI.pdf, Page 42

C-3815

Description: Nonetheless, banks should attempt to minimize unrecognized basis risk through sound definitions of commodity types.

Reference: PI.pdf, Page 42

C-3819

Description: A bank can only use the specifically defined commodity types it has established through its adequately controlled internal

Reference: PI.pdf, Page 42

C-3821

Description: Single- name transactions should be assigned to the same credit reference entity only where the

Reference: PI.pdf, Page 42

C-3823

Description: The approach for establishing the reference entity for equity derivatives should correspond

Reference: PI.pdf, Page 42

C-3824

Description: The approach for establishing the reference entity for equity derivatives should correspond to the general approach for credit derivatives.

Reference: PI.pdf, Page 42

C-3825

Description: For credit derivatives with indices as the underlying instrument, there should be one

Reference: PI.pdf, Page 42

C-3826

Description: For credit derivatives with indices as the underlying instrument, there should be one reference entity for each group of reference debt instruments or single-name credit derivatives that underlie a multi-name transaction.

Reference: PI.pdf, Page 42

C-3827

Description: Multi-name transactions should be assigned to the same

Reference: PI.pdf, Page 42

C-3828

Description: Multi-name transactions should be assigned to the same credit reference entity only where the group of underlying reference debt instruments or single- name credit derivatives of those transactions has the same constituents.

Reference: PI.pdf, Page 42

C-3829

Description: The determination of whether an index is investment grade or speculative grade should be based on the credit quality

Reference: PI.pdf, Page 42

C-3830

Description: Again, the approach for equity index derivatives should follow the general approach for

Reference: PI.pdf, Page 42

C-3831

Description: When multiple margin agreements apply to a single netting set, the netting set should be

Reference: PI.pdf, Page 42

C-3957

Description: The ICAAP: Executive Summary Table (Table 3) above should be used for the ICAAP

Reference: PII.pdf, Page 29

C-3966

Description: The RMF should have authority, responsibilities, and resources, to conduct risk related policies and the

Reference: PII.pdf, Page 29

C-3977

Description: (vii) The bank's risk appetite as defined and used in the preparation of the ICAAP, which should be consistently referenced for taking business decisions;

Reference: PII.pdf, Page 30

C-3983

Description: risk limits defined for business lines, entities, or individual risks should be consistent to ensure the overall adequacy of the bank's

Reference: PII.pdf, Page 30

C-3984

Description: individual risks should be consistent to ensure the overall adequacy of the bank's internal capital resources); and (xii) The boundary of entities included, (xiii) The process of risk identification, and (xiv) The bank's risk inventory and classification, reflecting the materiality of risks and the treatment of those risks through capital.

Reference: PII.pdf, Page 30

C-3985

Description: The internal control functions should play a vital role in contributing to the formation of

Reference: PII.pdf, Page 30

C-3990

Description: This should elaborate the bank's reliance on, or 178

CBUAE Classification: Public use of, any third parties such as external consultants or suppliers.

Reference: PII.pdf, Page 30

C-4122

Description: should be used for all commodity derivatives, or the use of a single volatility for all FX options.

Reference: PI.pdf, Page 48

C-4124

Description: Yes, for interest rate derivatives, all rates within one base currency should be included in a single

Reference: PI.pdf, Page 48

C-4125

Description: Maturity and Supervisory Duration Question F1: For Supervisory Duration, should S and E be based on original maturity or

Reference: PI.pdf, Page 48

C-4126

Description: Calculation of S and E should be computed relative to the current date, not the date at which the

Reference: PI.pdf, Page 48

C-4127

Description: Calculation of S and E should be computed relative to the current date, not the date at which the trade was initiated; hence, they are most similar to residual maturity.

Reference: PI.pdf, Page 48

C-4128

Description: Question F2: When calculating the remaining maturity in business days, should we follow

Reference: PI.pdf, Page 48

C-4129

Description: Question F2: When calculating the remaining maturity in business days, should we follow the business calendar given in the master agreement, or the business calendar within the jurisdiction in which the bank is operating?

Reference: PI.pdf, Page 48

C-4130

Description: The Basel Committee has provided guidance that the number of business days used for the

Reference: PI.pdf, Page 48

C-4131

Description: The Basel Committee has provided guidance that the number of business days used for the purpose of determining the maturity factor must be calculated appropriately for each transaction,

Reference: PI.pdf, Page 48

C-4132

Description: The Basel Committee has provided guidance that the number of business days used for the purpose of determining the maturity factor must be calculated appropriately for each transaction, taking into account the market conventions of the relevant jurisdiction.

Reference: PI.pdf, Page 48

C-4133

Description: No, all in-scope exchange rate contracts must be included, regardless of original or remaining

Reference: PI.pdf, Page 49

C-4138

Description: Question G3: For a variable notional swap, how should the average notional be calculated?

Reference: PI.pdf, Page 49

C-4140

Description: Question G4: Should the current spot rate be used to compute adjusted notional?

Reference: PI.pdf, Page 49

C-4141

Description: Yes, the current spot rate should be used.

Reference: PI.pdf, Page 49

C-4142

Description: So the Add-on for interest rate class must be calculated as well as the multiplier since

Reference: PI.pdf, Page 50

C-4143

Description: So the Add-on for interest rate class must be calculated as well as the multiplier since PFE = multiplier × Add-on agg For the calculation of the interest rate add-on, the three trades must be assigned to a hedging set

Reference: PI.pdf, Page 50

C-4146

Description: purpose of determining the maturity factor must be calculated appropriately for each transaction, taking into account the market conventions of the relevant jurisdiction. The Central Bank follows

Reference: PI.pdf, Page 47

C-4179

Description: Net collateral available to the bank should include both VM and

Reference: PI.pdf, Page 43

C-4180

Description: If the bank is a net MA provider of collateral, then C is negative, and its absolute value is the net value

Reference: PI.pdf, Page 43

C-4181

Description: MA provider of collateral, then C is negative, and its absolute value is the net value MA provided (NVP).

Reference: PI.pdf, Page 43

C-4182

Description: One of the following cases then applies: Step 5a: If NVH>0 (so NVP=0), then RC = TPV – NVH, but with a minimum of zero – that is, RC cannot be negative.

Reference: PI.pdf, Page 43

C-4183

Description: provided (NVP).

Reference: PI.pdf, Page 43

C-4184

Description: or Step 5b: If NVH=0 (so NVP>0), then RC = TPV + NVP – TNV, but with a minimum of TPV – that is, RC cannot be less than TPV.

Reference: PI.pdf, Page 43

C-4185

Description: To calculate PFE when a single margin agreement applies to multiple netting sets, netting set level un-margined PFEs should be calculated and aggregated, i.e.

Reference: PI.pdf, Page 43

C-4186

Description: Summary of the EAD Calculation Process The following diagram provides a visual summary of the CCR calculation of EAD for derivatives,

Reference: PI.pdf, Page 44

Governance

C-112

Description: For banks that base their management accounting on the net present values (NPVs), the NPV of each position should be used;

Reference: PI.pdf, Page 104

C-133

Description: Such transactions are permissible and can be a valid component of the management of CVA risk within a bank, but the risk ultimately should be transferred out of the bank, which generally requires a

Reference: PI.pdf, Page 68

C-189

Description: Banks should also have a formal board-approved disclosure policy for Pillar 3 information that sets out the internal controls and procedures for disclosure of such information.

Reference: PIII.pdf, Page 4

C-191

Description: The board of directors and senior management are responsible for establishing and maintaining an effective internal

Reference: PIII.pdf, Page 4

C-220

Description: 184

CBUAE Classification: Public Approaches to disclosure should be sufficiently flexible to reflect how senior management and the

Reference: PIII.pdf, Page 5

C-221

Description: 184

CBUAE Classification: Public Approaches to disclosure should be sufficiently flexible to reflect how senior management and the board of directors internally assess and manage risks and strategy, helping users to better understand a bank's risk tolerance/appetite.

Reference: PIII.pdf, Page 5

C-238

Description: The level of detail and the format of presentation of disclosures should enable key stakeholders to perform meaningful comparisons of business activities, prudential metrics, risks and risk management between banks and across jurisdictions.

Reference: PIII.pdf, Page 5

C-240

Description: to perform meaningful comparisons of business activities, prudential metrics, risks and risk management between banks and across jurisdictions.

Reference: PIII.pdf, Page 5

C-244

Description: Stress tests should be embedded in banks' business decision-making and risk management process

Reference: PII.pdf, Page 21

C-245

Description: Stress tests should be embedded in banks' business decision-making and risk management process at several levels of the organisation.

Reference: PII.pdf, Page 21

C-276

Description: Senior Management has a responsibility to ensure that the bank establishes a

Reference: PII.pdf, Page 22

C-277

Description: Senior Management has a responsibility to ensure that the bank establishes a system for assessing the full scope of its risks, develops a system to relate risk to the bank's capital level, and establishes a method for monitoring compliance with internal policies.

Reference: PII.pdf, Page 22

C-282

Description: Internal control functions should perform regular reviews of the risk management

Reference: PII.pdf, Page 22

C-284

Description: Internal control functions should perform regular reviews of the risk management process to make sure its coherence, validity, and rationality.

Reference: PII.pdf, Page 22

C-302

Description: Question 4: Who should be the owner of ICAAP, Finance or Risk Management?

Reference: PII.pdf, Page 24

C-303

Description: However, Risk Management should have the ultimate responsibility for the final ICAAP outcome report, the ICAAP

Reference: PII.pdf, Page 24

C-304

Description: However, Risk Management should have the ultimate responsibility for the final ICAAP outcome report, the ICAAP being in substance a risk evaluation process.

Reference: PII.pdf, Page 24

C-315

Description: Answer: (i) The bank must have a Board-approved capital contingency policy.

Reference: PII.pdf, Page 24

C-319

Description: Injections can be considered if approved by Senior Management, if part of the

Reference: PII.pdf, Page 24

C-405

Description: The policy sets the framework and the capital management plan describes the capital management strategy and the steps to achieve it in compliance with the policy.

Reference: PII.pdf, Page 26

C-408

Description: However, the ICAAP report should display the full picture, including an overview of the capital management policy and the capital management plan related to the ICAAP outcomes.

Reference: PII.pdf, Page 26

C-516

Description: It can be used by banks that are not internationally active, as well as by banks that are internationally active but may not yet have risk management systems in place for using

Reference: PI.pdf, Page 122

C-657

Description: allow for minor deviations from perfect correlation. The bank should have a sensible policy to

Reference: PI.pdf, Page 110

C-658

Description: The bank should have a sensible policy to ensure that objective, which should be subject to supervisory review.

Reference: PI.pdf, Page 110

C-753

Description: Question 13: “The bank’s operational risk management processes and assessment system shall be subject to validation and regular independent review”.

Reference: PI.pdf, Page 130

C-834

Description: Yes, banks can exclude the tables/templates not pertaining to the bank, for example DSIB and Securitisation Question 6: Banks should also have a formal board-approved disclosure policy for

Reference: PIII.pdf, Page 10

C-836

Description: Yes, banks can exclude the tables/templates not pertaining to the bank, for example DSIB and Securitisation Question 6: Banks should also have a formal board-approved disclosure policy for Pillar 3 information that sets out the internal controls and procedures for disclosure of such information.

Reference: PIII.pdf, Page 10

C-837

Description: Should this formal Disclosure policy still be submitted to Central

Reference: PIII.pdf, Page 10

C-838

Description: Should this formal Disclosure policy still be submitted to Central Bank along with ICAAP or it shall only be published / disclosed as mentioned?

Reference: PIII.pdf, Page 10

C-839

Description: The formal disclosure policy should not be submitted but should be available on request by

Reference: PIII.pdf, Page 10

C-840

Description: The formal disclosure policy should not be submitted but should be available on request by Central Bank of UAE.

Reference: PIII.pdf, Page 10

C-891

Description: To ensure that banks have appropriate incentives to enhance the risk management of their

Reference: PI.pdf, Page 81

C-928

Description: First, it is the responsibility of each bank to ensure that its ICAAP is

Reference: PII.pdf, Page 2

C-929

Description: First, it is the responsibility of each bank to ensure that its ICAAP is comprehensive and proportionate to the nature, scale, and complexity of its activities.

Reference: PII.pdf, Page 2

C-962

Description: bank should explain the views of Senior Management and the Board on the suitability of the bank's capital to cover the risks faced by the bank in light of its risk profile, its risk appetite and its future business plans.

Reference: PII.pdf, Page 3

C-972

Description: The ICAAP should be subject to an effective decision-making process, by which the assumptions, projections, and conclusions are thoroughly discussed, analysed, and challenged at several levels in the organisation including (i) the relevant committees of subject matter experts, (ii) Senior Management, and (iii) the Board.

Reference: PII.pdf, Page 4

C-973

Description: The governance framework should ensure that the ICAAP is an integral part of the bank's management process

Reference: PII.pdf, Page 4

C-974

Description: The ICAAP governance framework should include a clear approach to

Reference: PII.pdf, Page 4

C-975

Description: The ICAAP governance framework should include a clear approach to the regular internal review and validation by the appropriate functions of the bank.

Reference: PII.pdf, Page 4

C-976

Description: The policy framework should be approved by the Board.

Reference: PII.pdf, Page 4

C-977

Description: Senior Management has to implement the framework via effective procedures and systems.

Reference: PII.pdf, Page 4

C-982

Description: Board and Senior Management are responsible to deliver a comprehensive, effective,

Reference: PII.pdf, Page 5

C-983

Description: Board and Senior Management are responsible to deliver a comprehensive, effective, and accurate assessment of capital adequacy.

Reference: PII.pdf, Page 5

C-984

Description: Each bank is consequently required to conduct an ICAAP supported by appropriate methods and procedures to ensure that adequate capital

Reference: PII.pdf, Page 5

C-986

Description: an ICAAP supported by appropriate methods and procedures to ensure that adequate capital covers all material risks.

Reference: PII.pdf, Page 5

C-997

Description: All models used directly or indirectly in the ICAAP should follow the bank's model management framework, in

Reference: PII.pdf, Page 5

C-1012

Description: Each bank should have a process to ensure capital transferability that addresses any restrictions on the management's ability to

Reference: PII.pdf, Page 5

C-1027

Description: 18. Board and Senior Management are responsible to deliver a comprehensive, effective, and accurate assessment of capital adequacy. Each bank is consequently required to conduct

Reference: PII.pdf, Page 1

C-1083

Description: should identify and analyse all their dependencies on parent companies through centralised risk management/ shared services etc.

Reference: PII.pdf, Page 5

C-1087

Description: The formal feedback process should also include links to the banks' business decisions, risk management process (e.g.

Reference: PII.pdf, Page 5

C-1092

Description: The ICAAP should have an interactive relationship with other key processes within the bank, including but not limited to, (i) business strategies, (ii) financial budgeting, (iii) risk management, (iv) risk appetite setting, and (v) stress tests.

Reference: PII.pdf, Page 5

C-1094

Description: Conversely, the metrics pertaining to business management and to risk management should take into consideration

Reference: PII.pdf, Page 5

C-1098

Description: Each bank should design its own iterative process: (i) The Board, Senior Management and the business lines should provide their

Reference: PII.pdf, Page 5

C-1099

Description: pertaining to business management and to risk management should take into consideration the capital plan.

Reference: PII.pdf, Page 5

C-1100

Description: Each bank should design its own iterative process: (i) The Board, Senior Management and the business lines should provide their business plan and budget to construct the ICAAP; (ii) The risk management function should analyse the feasibility and the risks

Reference: PII.pdf, Page 5

C-1101

Description: Each bank should design its own iterative process: (i) The Board, Senior Management and the business lines should provide their business plan and budget to construct the ICAAP; (ii) The risk management function should analyse the feasibility and the risks associated to such business plan; (iii) The ICAAP should result in an estimation of the adequate level of capital given

Reference: PII.pdf, Page 5

C-1102

Description: business plan and budget to construct the ICAAP; (ii) The risk management function should analyse the feasibility and the risks associated to such business plan; (iii) The ICAAP should result in an estimation of the adequate level of capital given the business and risk assumptions.

Reference: PII.pdf, Page 5

C-1274

Description: (ii) Organizational Structure and Corporate Governance: The ECAI should

Reference: PI.pdf, Page 139

C-1275

Description: (ii) Organizational Structure and Corporate Governance: The ECAI should demonstrate that its organizational structure minimizes the scope for external influences to influence the rating process inappropriately.

Reference: PI.pdf, Page 139

C-1276

Description: The ECAI should have in place effective corporate governance that safeguards the independence of its credit ratings, promotes integrity, and ensures that internal disagreements over ratings are

Reference: PI.pdf, Page 139

C-1277

Description: The ECAI should have in place effective corporate governance that safeguards the independence of its credit ratings, promotes integrity, and ensures that internal disagreements over ratings are resolved in ways that do not compromise the overall effectiveness of the rating process.

Reference: PI.pdf, Page 139

C-1577

Description: The impact analysis should include management actions and formal trigger points.

Reference: PII.pdf, Page 21

C-1717

Description: The stakeholders should include, but not be limited to, the Board, Senior Management, the business lines, the risk management function, and the finance function.

Reference: PII.pdf, Page 7

C-1732

Description: Evidence should be provided that the management has, through the ICAAP, made the business more efficient or less risky.

Reference: PII.pdf, Page 7

C-1737

Description: Each bank's management is expected to develop and maintain an appropriate strategy that ensure

Reference: PII.pdf, Page 7

C-1738

Description: Each bank's management is expected to develop and maintain an appropriate strategy that ensure the level of capital and the process to estimate such level should be commensurate with the

Reference: PII.pdf, Page 7

C-1739

Description: Each bank's management is expected to develop and maintain an appropriate strategy that ensure the level of capital and the process to estimate such level should be commensurate with the nature, scope, scale, size, complexity, and risks of each bank.

Reference: PII.pdf, Page 7

C-1751

Description: The timing and execution of these management actions should be supported by appropriate trigger points of the bank's

Reference: PII.pdf, Page 8

C-1754

Description: In assessing the effectiveness of a management action, each bank should also consider the perceived

Reference: PII.pdf, Page 8

C-1921

Description: In particular: (i) For the purpose of risk management, each bank should ensure that credit

Reference: PII.pdf, Page 14

C-1922

Description: In particular: (i) For the purpose of risk management, each bank should ensure that credit concentration risk is pro-actively and efficiently addressed.

Reference: PII.pdf, Page 14

C-2012

Description: (a) Summary of outstanding findings and required management actions from

Reference: PII.pdf, Page 32

C-2013

Description: (a) Summary of outstanding findings and required management actions from pertinent assessments, examinations and audits (e.g.

Reference: PII.pdf, Page 32

C-2014

Description: current outstanding actions emanating from internal audits, external audits, risk management assessments, capital management reviews, Central Bank examinations, and

Reference: PII.pdf, Page 32

C-2055

Description: those management actions that have been approved by the bank's Board.

Reference: PII.pdf, Page 9

C-2056

Description: The bank should only consider capital increases that have obtained Senior Management

Reference: PII.pdf, Page 9

C-2057

Description: The bank should only consider capital increases that have obtained Senior Management approval and form part of the bank's official capital plan and that have been discussed with the Central Bank.

Reference: PII.pdf, Page 9

C-2071

Description: As a part of its risk management practices, each bank is responsible for implementing

Reference: PII.pdf, Page 9

C-2073

Description: Such risk management process should be used as direct input into the calibration of capital demand to

Reference: PII.pdf, Page 9

C-2074

Description: Such risk management process should be used as direct input into the calibration of capital demand to cover both Pillar 1 and Pillar 2 risks.

Reference: PII.pdf, Page 9

C-2075

Description: The framework supporting the estimation of capital consumption for each risk type should approved by Senior Management and the Board.

Reference: PII.pdf, Page 9

C-2079

Description: consumption for each risk type should approved by Senior Management and the Board.

Reference: PII.pdf, Page 9

C-2095

Description: Ultimately, the process to identify, measure risks, and estimate the associated capital consumption should be approved by Senior Management and the Board.

Reference: PII.pdf, Page 9

C-2181

Description: Each bank should start this assessment with the metrics already employed to measure market risk as part of regular risk management, including net open positions (NOP), value-at-risk (VaR), stressed VaR, and economic stress tests.

Reference: PII.pdf, Page 12

C-2191

Description: The framework for operational risk management should cover the bank's appetite and tolerance for operational risks, and the manner and

Reference: PII.pdf, Page 13

C-2192

Description: The framework for operational risk management should cover the bank's appetite and tolerance for operational risks, and the manner and extent to which operational risk is transferred outside the bank.

Reference: PII.pdf, Page 13

C-2391

Description: Each bank should execute portfolio-level stress tests more frequently depending on the needs of risk management and the business functions.

Reference: PII.pdf, Page 19

C-2397

Description: The results from all types of stress tests exercise should be employed by Senior Management and the Board to assess the suitability of the bank's capital.

Reference: PII.pdf, Page 19

C-2446

Description: portfolio-level stress tests more frequently depending on the needs of risk management and the business functions. Market risk stress tests in particular may have to be performed more

Reference: PII.pdf, Page 19

C-2485

Description: Each bank should also consider the quality of its model risk management in the model

Reference: PII.pdf, Page 17

C-2495

Description: Each bank is required to implement a stress testing framework to address both the needs of the ICAAP and broader risk management.

Reference: PII.pdf, Page 18

C-2507

Description: The Board is responsible for the effective implementation of the stress tests framework through appropriate delegation to Senior Management and subject-matter experts across the bank.

Reference: PII.pdf, Page 18

C-2508

Description: This framework should be supported by robust governance, processes, methods, and

Reference: PII.pdf, Page 18

C-2510

Description: This framework should be supported by robust governance, processes, methods, and systems with associated policies and procedures approved by the Board.

Reference: PII.pdf, Page 18

C-2512

Description: Stakeholders should include Senior Management and the Board.

Reference: PII.pdf, Page 18

C-2954

Description: Should a transfer of Senior Management personnel or Other Material Risk-

Reference: PIII.pdf, Page 11

C-3671

Description: effectiveness of a management action, each bank should also consider the perceived reputational impact (e.g.

Reference: PII.pdf, Page 8

C-3962

Description: In the ICAAP report, each bank should provide high level summaries of key areas of the risk framework of the bank: organisational structure, governance framework, risk management function and the risk control function.

Reference: PII.pdf, Page 29

C-3963

Description: The bank's high level summaries should refer to the relevant policies, procedures, manuals, and limits: 3.1.1 Organisational Structure 137.

Reference: PII.pdf, Page 29

C-3964

Description: Each bank is expected to describe how (i) The bank's Board encourages a risk culture and prudent behaviours at all levels; (ii) The Board Risk Committee ("BRC") provides oversight and challenges the risk

Reference: PII.pdf, Page 29

C-3965

Description: Each bank is expected to describe how (i) The bank's Board encourages a risk culture and prudent behaviours at all levels; (ii) The Board Risk Committee ("BRC") provides oversight and challenges the risk exposures, risk appetite, and tolerance; and (iii) The Risk Management Function (RMF) is structured, including reporting lines

Reference: PII.pdf, Page 29

C-3967

Description: ICAAP governance framework with a description of responsibilities, and the separation of functions); (ii) Arrangements through which the Board and Senior Management define the bank-wide risk appetite; (iii) Relevant policies and risk appetite/limits/tolerance; and (iv) How the Chief Risk Officer (CRO) is held responsible for the methodology and

Reference: PII.pdf, Page 29

C-3979

Description: management to authorize remedial actions before capital adequacy is compromised.

Reference: PII.pdf, Page 30

C-4123

Description: Banks should certainly use more analytically appropriate deltas for internal purposes such as valuation and risk management.

Reference: PI.pdf, Page 48

Incident Management

C-30

Description: The corporate provides collateral in the form of debt securities issued by a bank with an external rating of

Reference: PI.pdf, Page 35

C-38

Description: Instruments of Islamic banks issued through an SPV must also provide the contract

Reference: PI.pdf, Page 21

C-39

Description: Instruments of Islamic banks issued through an SPV must also provide the contract between the bank and the SPV 3.

Reference: PI.pdf, Page 21

C-52

Description: Explicit examples will not be provided to prevent any expectation.

Reference: PI.pdf, Page 22

C-124

Description: An option on an eligible CDS (that is, a swaption on such a CDS) can be eligible, provided the swaption does not contain a "knock out" clause that terminates the swaption in the case of a credit event.

Reference: PI.pdf, Page 68

C-211

Description: Complex issues should be explained in simple language with important terms defined.

Reference: PIII.pdf, Page 4

C-469

Description: Performance guarantees are essentially transaction-related contingencies that involve an irrevocable undertaking to pay a third party in the event the counterparty fails to fulfil or perform

Reference: PI.pdf, Page 29

C-471

Description: irrevocable undertaking to pay a third party in the event the counterparty fails to fulfil or perform a contractual non-financial obligation.

Reference: PI.pdf, Page 29

C-642

Description: Question 6: Should general criteria for all investment grade securities other than Government Issuers be taken under the category of Qualifying?

Reference: PI.pdf, Page 110

C-681

Description: (d) Clauses that increase the yield payable to parties other than the originating bank, such as investors and third-party providers of credit enhancements, in response to a

Reference: PI.pdf, Page 90

C-684

Description: as investors and third-party providers of credit enhancements, in response to a deterioration in the credit quality of the reference pool.

Reference: PI.pdf, Page 90

C-1556

Description: The value must be adjusted if an extraordinary, idiosyncratic event occurs resulting in a permanent reduction of the property value.

Reference: PI.pdf, Page 27

C-1569

Description: The scope of events should be broad, consider an appropriate range of risk types, and geographies.

Reference: PII.pdf, Page 21

C-1570

Description: The narrative should be constructed with a clear sequence of unfolding events leading to (a)

Reference: PII.pdf, Page 21

C-1571

Description: The narrative should be constructed with a clear sequence of unfolding events leading to (a) direct risks, (b) second-order risks, and/or (c) systemic risks, and how these risks affect the profit and loss profile and risks of the bank based on a scale of shocks (e.g.

Reference: PII.pdf, Page 21

C-1575

Description: capital issuances, rights issues, reduction in the equity, etc.) and the capital planning reflects the proposed changes, the bank must perform an additional stress scenario.

Reference: PII.pdf, Page 21

C-1748

Description: Both perspectives should take into account the current, expected economic environment, and consider the occurrence of stressed events.

Reference: PII.pdf, Page 8

C-1979

Description: When determining the RC component of a netting set, the netting contract must not contain any clause which, in the event of default of a counterparty, permits a non-defaulting counterparty to make limited payments only, or no payments at all, to the estate of the defaulting party, even if the defaulting party is a net creditor.

Reference: PI.pdf, Page 37

C-2008

Description: Feasible remedial actions should be designed that could prevent the

Reference: PII.pdf, Page 32

C-2009

Description: Feasible remedial actions should be designed that could prevent the consequences of such a scenario.

Reference: PII.pdf, Page 32

C-2070

Description: Bank should analyse and consider unaccounted foreseeable events in the capital plan, e.g.

Reference: PII.pdf, Page 9

C-2299

Description: Examples of such features could be: cash collateralization of the market value in combination with an agreement of prompt additional payments in case of an increase of the market value of the swap; or minimum credit quality of the swap provider with the obligation to post collateral or present an alternative swap provider without any costs for the SPE in the event of a credit deterioration on the part of the original swap provider.

Reference: PI.pdf, Page 94

C-2334

Description: Where a bank is applying external ratings to an exposure that corresponds to a particular issue with an issue-specific rating, the risk weight of the claim must be based on this issue-specific

Reference: PI.pdf, Page 144

C-2338

Description: 145

CBUAE Classification: Public map to a risk weight equal to or higher than would apply to an unrated exposure), then a bank with an unrated exposure to the same counterparty that ranks pari passu with or is subordinated to senior unsecured (in the case of an issuer rating) or to the specific issue (in the case of an issue-specific rating) should risk-weight that

Reference: PI.pdf, Page 145

C-2339

Description: Where a bank intends to rely on an issuer or an issue-specific rating, the rating must take

Reference: PI.pdf, Page 145

C-2340

Description: specific issue (in the case of an issue-specific rating) should risk-weight that exposure using the low-quality rating.

Reference: PI.pdf, Page 145

C-2341

Description: Where a bank intends to rely on an issuer or an issue-specific rating, the rating must take into account and reflect the entire amount of credit risk exposure a bank has with regard to all amounts owed to it.

Reference: PI.pdf, Page 145

C-2492

Description: Stress test helps to improve the bank's understanding of the vulnerabilities that it faces under exceptional, but plausible events, and provide the bank with an indication of how much

Reference: PII.pdf, Page 17

C-2500

Description: Each bank should perform an in-depth review of its potential vulnerabilities, capturing all material risks on a bank-wide basis that result from its business model and operating environment in the context of adverse events, stressed macroeconomic (e.g.

Reference: PII.pdf, Page 18

C-2505

Description: The Central Bank may challenge the key assumptions and their continuing relevance to ensure that there is sufficient capital to withstand the impact of possible adverse events and/

Reference: PII.pdf, Page 18

C-2509

Description: to ensure that there is sufficient capital to withstand the impact of possible adverse events and/ or changes in market conditions.

Reference: PII.pdf, Page 18

C-2988

Description: It also aims to make use of accounting measures to the greatest extent possible, while at the same time addressing concerns that (i) different accounting frameworks across jurisdictions raise level playing field issues and (ii) a framework based exclusively on accounting measures may not capture all risks.

Reference: PIII.pdf, Page 15

C-3115

Description: The dividend deduction must be updated based on each of the following events, if the

Reference: PI.pdf, Page 3

C-3116

Description: The dividend deduction must be updated based on each of the following events, if the amount changes, after Annual General meeting, or the approval from the Central Ban, or the release of the Financial Statements by the auditors.

Reference: PI.pdf, Page 3

C-3180

Description: Yes, provided the arrangement allows the bank to retain the cash in the event of a default by the

Reference: PI.pdf, Page 46

C-3487

Description: It also ensures that banks issue robust and simple Tier capital

Reference: PI.pdf, Page 17

C-3822

Description: Single- name transactions should be assigned to the same credit reference entity only where the underlying reference debt instrument of those transactions is issued by the same issuer.

Reference: PI.pdf, Page 42

Monitoring

C-96

Description: of the board, fixed repayment schedules, effective monitoring of use of proceeds, status review process, and rigorous assessment of risk and provisioning to loan loss

Reference: PI.pdf, Page 21

C-246

Description: Senior Management and the Board should lead and approve all assumptions, the methodology framework and authorise the use of stress test

Reference: PII.pdf, Page 21

C-254

Description: This enables proactive risk management actions and implementation of an appropriate strategy for refined risk monitoring, prevention, and

Reference: PII.pdf, Page 21

C-292

Description: For example: (i) All risk quantification methodologies and models must be subject to independent

Reference: PII.pdf, Page 23

C-293

Description: For example: (i) All risk quantification methodologies and models must be subject to independent validation (internal/ external); and (ii) Internal Audit should perform an independent review of the bank's capital

Reference: PII.pdf, Page 23

C-324

Description: Question 8: Can banks implement the IRB methodology in full (i.e.

Reference: PII.pdf, Page 24

C-338

Description: Banks should develop adequate methodologies to quantify the risk with models sophistication depending on size and business model.

Reference: PII.pdf, Page 25

C-343

Description: of the sources of potential failure. This enables proactive risk management actions and implementation of an appropriate strategy for refined risk monitoring, prevention, and

Reference: PII.pdf, Page 21

C-354

Description: No, the quantitative analysis conducted should be tailored as appropriate to demonstrate the performance of the actual rating methodology applied by the ECAI.

Reference: PI.pdf, Page 146

C-355

Description: Specifics of the analysis may differ depending on the methodology; for example, if the rating methodology solely reflects default probabilities rather than loss rates, then recovery studies may not be relevant.

Reference: PI.pdf, Page 146

C-411

Description: Answer: The ICAAP is an internal process and the bank must determine the most adequate methodology

Reference: PII.pdf, Page 26

C-414

Description: The quantification methodology should obtain internal approval.

Reference: PII.pdf, Page 26

C-429

Description: Answer: The ICAAP is an internal process and the bank should determine the most adequate methodology to quantify risks arising for Islamic banks in general and Islamic banking products specifically.

Reference: PII.pdf, Page 26

C-431

Description: If the branch or subsidiary is applying head office methodologies, these should nevertheless be validated on branch or subsidiary level.

Reference: PII.pdf, Page 26

C-432

Description: In addition, the branch or subsidiary has to have a full understanding of the applied methodologies as it cannot fully rely

Reference: PII.pdf, Page 26

C-433

Description: branch or subsidiary has to have a full understanding of the applied methodologies as it cannot fully rely on the head office.

Reference: PII.pdf, Page 27

C-492

Description: Banks shall monitor and manage the impact of the change in risk weights of exposures in USD on the bank's capital position.

Reference: PI.pdf, Page 30

C-896

Description: This isa logical treatment – if a bank effectively owns 5% of a fund, the bank must hold capital as if it owns 5% of the fund's

Reference: PI.pdf, Page 83

C-934

Description: This Guidance does not prescribe specific methodologies but rather, it provides a framework, within which a bank should elaborate research, analyse, and draw

Reference: PII.pdf, Page 2

C-935

Description: This Guidance does not prescribe specific methodologies but rather, it provides a framework, within which a bank should elaborate research, analyse, and draw conclusions relevant to the risk profiles of their books.

Reference: PII.pdf, Page 2

C-936

Description: All methodologies employed by a bank for its ICAAP should be relevant to its business

Reference: PII.pdf, Page 2

C-937

Description: All methodologies employed by a bank for its ICAAP should be relevant to its business model, risk profile, to the geographies of its exposures, and, in particular, to the features of the UAE economy.

Reference: PII.pdf, Page 2

C-938

Description: The methodologies and processes employed by the bank in its ICAAP should

Reference: PII.pdf, Page 2

C-940

Description: The methodologies and processes employed by the bank in its ICAAP should be fully documented, transparent and replicable.

Reference: PII.pdf, Page 2

C-1009

Description: To be able to effectively assess and maintain capital adequacy across entities, strategies, risk management processes, decision-making, methodologies, and assumptions applied should

Reference: PII.pdf, Page 5

C-1088

Description: using the ICAAP methodologies, results in the approval process, limit setting, strategic processes, such as capital planning or budgeting, and performance measurement).

Reference: PII.pdf, Page 5

C-1089

Description: For that purpose, the Board and Senior Management should lead and approve the assumptions, methodology, framework,

Reference: PII.pdf, Page 5

C-1091

Description: and Senior Management should lead and approve the assumptions, methodology, framework, and outcome of the ICAAP.

Reference: PII.pdf, Page 5

C-1140

Description: Eligible ECAIs should notify the Central Bank of significant changes to methodologies,

Reference: PI.pdf, Page 142

C-1245

Description: ECAI's should have a methodology for assigning credit ratings that is rigorous and

Reference: PI.pdf, Page 138

C-1246

Description: ECAI's should have a methodology for assigning credit ratings that is rigorous and systematic, and is subject to validation based on historical experience.

Reference: PI.pdf, Page 138

C-1247

Description: Ratings assessments should be based on methodologies combining qualitative and quantitative approaches.

Reference: PI.pdf, Page 138

C-1256

Description: credit quality that are relevant under the ECAI's applicable methodology, and should ensure that the ratings are assigned taking into account all risk factors of the rated entity or issue relevant under the ECAI's applicable methodology; 139

CBUAE Classification: Public (iv) The ECAI should demonstrate that rating methodologies are subject to quantitative

Reference: PI.pdf, Page 139

C-1258

Description: 139

CBUAE Classification: Public (iv) The ECAI should demonstrate that rating methodologies are subject to quantitative back testing.

Reference: PI.pdf, Page 139

C-1259

Description: For this purpose, the ECAI should calculate and publish default studies, recovery studies, rating transition matrices, or other analyses as relevant to the ECAI's rating methodology.

Reference: PI.pdf, Page 139

C-1263

Description: account local practices or institutional or market conditions; (v) The rating methodology for each market segment, including rigorous back testing, must have been established for at least one year and preferably three years; (vi) All rating decisions should be made based on the ECAI's established criteria and methodologies, subject to documented variations approved in accordance with the ECAI's procedures; (vii) The ECAI should have a mechanism to review its procedures and methodologies to

Reference: PI.pdf, Page 139

C-1265

Description: ECAI's procedures; (vii) The ECAI should have a mechanism to review its procedures and methodologies to adapt them to a potentially changing environment; and (viii) The ECAI should maintain adequate systems and internal records to support its assigned ratings.

Reference: PI.pdf, Page 139

C-1290

Description: The ECAI's general procedures, methodologies, and assumptions for arriving at ratings should be publicly available.

Reference: PI.pdf, Page 140

C-1294

Description: procedures, methodologies, and assumptions for arriving at ratings should be publicly available.

Reference: PI.pdf, Page 140

C-1302

Description: At a minimum, the following conflict-of-interest situations and their influence on the ECAI's credit rating methodologies or credit rating actions must be disclosed:

Reference: PI.pdf, Page 140

C-1303

Description: should be based on methodologies combining qualitative and quantitative approaches. Moreover, assessments must be subject to ongoing review and responsive to changes in financial condition.

Reference: PI.pdf, Page 137

C-1304

Description: (v) The rating methodology for each market segment, including rigorous back testing, must have been established for at least one year and preferably three years;

Reference: PI.pdf, Page 137

C-1305

Description: (vi) All rating decisions should be made based on the ECAI's established criteria and methodologies, subject to documented variations approved in accordance with the

Reference: PI.pdf, Page 137

C-1307

Description: rating definition, methods of arriving at the rating, rating process, time horizon of the rating, and the surveillance and review procedure) to facilitate such decisions. The ECAI's general

Reference: PI.pdf, Page 137

C-1574

Description: The calibration of shocks should be supported by rigorous methodologies using (a)

Reference: PII.pdf, Page 21

C-1725

Description: Regular reporting should be constructed to measure and monitor Pillar 2 risks in

Reference: PII.pdf, Page 7

C-1726

Description: Regular reporting should be constructed to measure and monitor Pillar 2 risks in addition to the annual ICAAP report exercise.

Reference: PII.pdf, Page 7

C-1923

Description: Each bank should develop policies and procedures for the identification, measurement, monitoring, and reporting of credit concentration risk.

Reference: PII.pdf, Page 14

C-1930

Description: Each bank should compare several methodologies and propose a choice based on clear and documented justification.

Reference: PII.pdf, Page 14

C-1932

Description: At a minimum, each bank should calculate and report the additional capital using the Herfindahl-Hirschman Index (HHI) methodology; and (iii) For the purpose of capital planning, each bank should ensure that concentration

Reference: PII.pdf, Page 14

C-1933

Description: At a minimum, each bank should calculate and report the additional capital using the Herfindahl-Hirschman Index (HHI) methodology; and (iii) For the purpose of capital planning, each bank should ensure that concentration risk is taken into account adequately within its ICAAP.

Reference: PII.pdf, Page 14

C-1937

Description: Each bank should have a process supported by adequate policies to manage IRRBB appropriately.This involves, as for any other risk, comprehensive identification, measurement, reporting, monitoring, and mitigation.

Reference: PII.pdf, Page 15

C-1951

Description: Irrespective of the approach or model chosen by the bank, at a minimum each bank should calculate and report IRRBB using the methodology described by the Central Bank

Reference: PII.pdf, Page 15

C-1961

Description: The framework should be designed to identify, measure, monitor, and mitigate this risk.

Reference: PII.pdf, Page 15

C-1963

Description: develop policies and procedures for the identification, measurement, monitoring, and reporting of credit concentration risk. Credit concentration risk arises from

Reference: PII.pdf, Page 14

C-1966

Description: bank's appetite for model uncertainty. The framework should be designed to identify, measure, monitor, and mitigate this risk. A bank should mitigate a large appetite for model risk by

Reference: PII.pdf, Page 14

C-2072

Description: As a part of its risk management practices, each bank is responsible for implementing a regular process to identify, measure, report, monitor, and mitigate risks.

Reference: PII.pdf, Page 9

C-2077

Description: a regular process to identify, measure, report, monitor, and mitigate risks.

Reference: PII.pdf, Page 9

C-2092

Description: The estimation of the capital consumption associated with each risk should be based upon clear methodologies designed appropriately for each risk type.

Reference: PII.pdf, Page 9

C-2093

Description: Each bank should identify the owner of such methodology either within the team responsible to manage risks or with a

Reference: PII.pdf, Page 9

C-2098

Description: Each bank should not develop separate methodologies for risk measurement, if those

Reference: PII.pdf, Page 10

C-2099

Description: Each bank should not develop separate methodologies for risk measurement, if those are not employed for risk management.

Reference: PII.pdf, Page 10

C-2113

Description: The bank should articulate the frequency of monitoring and quantifying changes in its financial

Reference: PII.pdf, Page 10

C-2177

Description: Each bank should have methodologies and limits that enable it to assess and actively manage all material market risks, at several levels of granularity including position, desk, business line, or firm-wide level.

Reference: PII.pdf, Page 12

C-2376

Description: The methodology and scope of such stress tests should

Reference: PII.pdf, Page 19

C-2380

Description: The scenarios and the methodologies should be granular and fully tailored to the risk

Reference: PII.pdf, Page 19

C-2381

Description: The scenarios and the methodologies should be granular and fully tailored to the risk profile of each portfolio.

Reference: PII.pdf, Page 19

C-2443

Description: analyse the impact of stress events on the entire bank's solvency, profitability, stability, and capital. The methodology and scope of such stress tests should

Reference: PII.pdf, Page 19

C-2733

Description: additionally requires that the credit assessment, procedures, methodologies, assumptions and the key elements underlying the assessments must be publicly available, on a non-selective basis and free of charge.

Reference: PI.pdf, Page 93

C-3972

Description: expected to describe (i) How the RMF has access to all business lines and other units that might have possibility in generating risk , and to all relevant subsidiaries, and affiliates; (ii) RMF processes/ practices/ mechanisms through which the bank effectively identifies, measures, monitors, and reports material risks; (iii) Mechanisms that ensure that the policies, methodologies, controls, and risk monitoring systems are developed, validated, maintained and appropriately

Reference: PII.pdf, Page 29

C-3973

Description: (iii) Mechanisms that ensure that the policies, methodologies, controls, and risk monitoring systems are developed, validated, maintained and appropriately 177

CBUAE Classification: Public approved; (iv) Processes to effectively identify and review the changes in risks arising from the

Reference: PII.pdf, Page 30

C-3978

Description: (vii) The bank's risk appetite as defined and used in the preparation of the ICAAP, which should be consistently referenced for taking business decisions; (viii) Risk quantification methodologies that are clearly articulated and documented,

Reference: PII.pdf, Page 30

C-3980

Description: (vii) The bank's risk appetite as defined and used in the preparation of the ICAAP, which should be consistently referenced for taking business decisions; (viii) Risk quantification methodologies that are clearly articulated and documented, including high-level risk measurement assumptions and parameters; (ix) The approaches used to assess capital adequacy, which should include the

Reference: PII.pdf, Page 30

C-3981

Description: (vii) The bank's risk appetite as defined and used in the preparation of the ICAAP, which should be consistently referenced for taking business decisions; (viii) Risk quantification methodologies that are clearly articulated and documented, including high-level risk measurement assumptions and parameters; (ix) The approaches used to assess capital adequacy, which should include the stress test framework and a well-articulated definition of capital adequacy; (x) The capital planning process objectives, which should be forward-looking and

Reference: PII.pdf, Page 30

C-3982

Description: (ix) The approaches used to assess capital adequacy, which should include the stress test framework and a well-articulated definition of capital adequacy; (x) The capital planning process objectives, which should be forward-looking and aligned to the bank's business model and strategy; (xi) Capital allocation processes including monitoring among business lines and identified risk types (e.g.

Reference: PII.pdf, Page 30

Physical Security

C-156

Description: Banks should also make available on their websites a 5-year

Reference: PIII.pdf, Page 3

C-678

Description: Otherwise, if these conditions are not satisfied, or if for other reasons the liquidity facility constitutes a mezzanine position in economic substance rather than a senior position in the underlying pool, the liquidity facility should be treated as a non-senior exposure.

Reference: PI.pdf, Page 90

C-842

Description: Banks which do not have a UAE-Specific website should

Reference: PIII.pdf, Page 10

C-848

Description: specific website. This can be anywhere on the website but it needs to be clearly visible and easily available for all stakeholders. Banks which do not have a UAE-Specific website should

Reference: PIII.pdf, Page 6

C-966

Description: stakeholders, the assessment process, the challenging process and the approval process; (iii) A brief presentation of the bank's structure, subsidiaries, businesses, material risks, risk appetite, and risk mitigating actions, where applicable; (iv) A description of the current capital position of the bank showing the allocation of capital per risk type, covering Pillar 1 and Pillar 2 risks; (v) Each bank should complete the ICAAP Executive Summary Table (Table 3) as

Reference: PII.pdf, Page 3

C-969

Description: scenarios, the analysis of the stress scenarios should include the intended risk mitigation actions; (ix) An assessment of the adequacy of the bank's risk management processes including critical judgment on the areas that need improvement; and (x) A conclusion of the ICAAP addressing the suitability of the capital to cover the bank'scurrent and expected risks.

Reference: PII.pdf, Page 4

C-1014

Description: The capital allocation or distribution and the approval process between the bank's holding company (group/parent) and the subsidiaries in the banking group should be well defined.

Reference: PII.pdf, Page 5

C-1093

Description: Metrics related to capital allocation and capital consumption should be included in the banks' risk appetite.

Reference: PII.pdf, Page 5

C-1450

Description: How should the geographic location of exposures on the

Reference: PI.pdf, Page 8

C-1944

Description: DSIBs and other banks with significant interest rate risk (IRR) exposure should compute the economic value of equity (EVE) at a granular facility level, while non-DSIBs may compute EVE at exposure level, which is based upon the summation of discounted gap risk across time buckets, rather than a granular net present value (NPV) estimation at exposure level.

Reference: PII.pdf, Page 15

C-1976

Description: Physical stocks should be allocated to the first time band.

Reference: PI.pdf, Page 118

C-2088

Description: Each expert function should contribute to its area of expertise, in such way that the ICAAP is a reflection of a collective work substantiated by thorough analysis.

Reference: PII.pdf, Page 9

C-2278

Description: For example, if a bank buys ABCP where it provides an unfunded securitisation exposure extended to the ABCP program (e.g., liquidity facility or credit enhancement), and that exposure plays a role in determining the credit assessment on the ABCP, the bank must treat the ABCP as

Reference: PI.pdf, Page 92

C-2279

Description: The bank also must hold capital against the liquidity facility and/or credit

Reference: PI.pdf, Page 92

C-2281

Description: The bank also must hold capital against the liquidity facility and/or credit enhancement as a securitisation exposure.

Reference: PI.pdf, Page 93

C-2379

Description: Such exercise should support strategic decision related to the risk appetite of the bank, its risk profile, and its portfolio allocation.

Reference: PII.pdf, Page 19

C-2385

Description: Consequently, these exercises should support, motivate strategic, and tactical decisions at portfolio and/or facility level.

Reference: PII.pdf, Page 19

C-3598

Description: Banks must determine whether the ultimate counterparty is a private sector exposure, as well as the location of the "ultimate risk", to the extent possible.

Reference: PI.pdf, Page 4

Reporting

C-1

Description: credit support amount of AED 90 million (80 million plus 10 million), which is assumed to have been fully received as of the reporting date.

Reference: PI.pdf, Page 65

C-15

Description: Almost all the exposures that receive 150% risk weight are reported under the respective asset

Reference: PI.pdf, Page 34

C-16

Description: For example, but not limited to, real estate acquired in settlement of debt and not liquidated within the statutory period shall be reported under

Reference: PI.pdf, Page 34

C-17

Description: For example, but not limited to, real estate acquired in settlement of debt and not liquidated within the statutory period shall be reported under the higher risk asset class with a 150% RW.

Reference: PI.pdf, Page 34

C-34

Description: CBUAE Classification: Public Documents required to be submitted for the application to issue new Tier Capital

Reference: PI.pdf, Page 21

C-37

Description: Documents required to be submitted for the application to issue new Tier Capital Instruments 1.

Reference: PI.pdf, Page 21

C-50

Description: Note, that the consultation documents do not consult on a trigger for equity accounted AT1.

Reference: PI.pdf, Page 22

C-99

Description: The amounts reported should be the market value of the principal amount of the

Reference: PI.pdf, Page 102

C-106

Description: For example, stock index futures should be reported as the marked-to-market value of the notional underlying equity portfolio.

Reference: PI.pdf, Page 103

C-109

Description: Foreign currency is any currency other than the bank's reporting currency.

Reference: PI.pdf, Page 104

C-113

Description: You can determine the overall net open position of the portfolio by first converting the exposure in each foreign currency into the reporting currency at the spot rates.

Reference: PI.pdf, Page 104

C-114

Description: Items that are deducted from a bank's capital when calculating its capital base, such as investments in non-consolidated subsidiaries, or other long-term participations denominated in foreign currencies, which are reported in the published accounts at historic cost, do not need to

Reference: PI.pdf, Page 105

C-128

Description: To clearly demonstrate intent to manage CVA risk, the bank should have a documented

Reference: PI.pdf, Page 68

C-129

Description: To clearly demonstrate intent to manage CVA risk, the bank should have a documented CVArisk management process or program, so that any CVA hedging transaction is demonstrably consistent with the design and operation of that program, was entered into with the intent to mitigate the counterparty credit spread component of CVA risk, and continues to be managed by the bank in a manner consistent with that intent.

Reference: PI.pdf, Page 68

C-141

Description: However, it is recognized that a balance needs to be struck between the use of mandatory templates that promote consistency of reporting and comparability across banks, and

Reference: PIII.pdf, Page 2

C-142

Description: However, it is recognized that a balance needs to be struck between the use of mandatory templates that promote consistency of reporting and comparability across banks, and the need to allow senior management sufficient flexibility to provide commentary on a bank's

Reference: PIII.pdf, Page 2

C-145

Description: Banks having a banking subsidiary will be required to be consolidated at Group level as one Pillar 3 report as well as at subsidiary solo level as a separate Pillar 3 report

Reference: PIII.pdf, Page 3

C-151

Description: Banks should publish their Pillar 3 report in a stand-alone document on the bank's UAE-

Reference: PIII.pdf, Page 3

C-152

Description: Banks should publish their Pillar 3 report in a stand-alone document on the bank's UAE- specific website that provides a readily accessible source of prudential measures for users.

Reference: PIII.pdf, Page 3

C-153

Description: The Pillar 3 report may be appended to form a discrete section of a bank's financial reporting, but the

Reference: PIII.pdf, Page 3

C-155

Description: The Pillar 3 report may be appended to form a discrete section of a bank's financial reporting, but the full report will be needed to be disclosed separately in the Pillar 3 tables as well.

Reference: PIII.pdf, Page 3

C-157

Description: Banks should also make available on their websites a 5-year archive of Pillar 3 reports (i.e.

Reference: PIII.pdf, Page 3

C-158

Description: quarterly, semi-annual or annual) relating to prior reporting

Reference: PIII.pdf, Page 3

C-159

Description: full report will be needed to be disclosed separately in the Pillar 3 tables as well.

Reference: PIII.pdf, Page 3

C-163

Description: The frequencies vary between quarterly, semi-annual and annual reporting

Reference: PIII.pdf, Page 3

C-164

Description: archive of Pillar 3 reports (i.e.

Reference: PIII.pdf, Page 3

C-166

Description: If a bank publishes interim financial statements, then the bank should publish the quarterly Pillar 3 report, three (3) weeks

Reference: PIII.pdf, Page 3

C-167

Description: For bankswho do not have an interim financial statement,the Pillar 3 quarterly report needs to be published 6 weeks from quarter end.

Reference: PIII.pdf, Page 3

C-168

Description: A bank's Pillar 3 report should be published with its financial report for thecorresponding

Reference: PIII.pdf, Page 3

C-169

Description: A bank's Pillar 3 report should be published with its financial report for thecorresponding period as mandated in paragraph 8 above.

Reference: PIII.pdf, Page 3

C-171

Description: financial statements, then the bank should publish the quarterly Pillar 3 report, three (3) weeks after the interim financial statements are published.

Reference: PIII.pdf, Page 3

C-173

Description: However, the time lag should not exceed that allowed to the bank for its regular financial reporting period-ends (e.g.

Reference: PIII.pdf, Page 3

C-174

Description: statement,the Pillar 3 quarterly report needs to be published 6 weeks from quarter end.

Reference: PIII.pdf, Page 3

C-175

Description: if a bank reports only annually and its annual financial statements are made available six weeks after the end of the annual reporting

Reference: PIII.pdf, Page 3

C-176

Description: if a bank reports only annually and its annual financial statements are made available six weeks after the end of the annual reporting period-end, interim Pillar 3 disclosures on a quarterly and/or semi-annual basis should be

Reference: PIII.pdf, Page 3

C-178

Description: bank for its regular financial reporting period-ends (e.g.

Reference: PIII.pdf, Page 3

C-180

Description: annual financial statements are made available six weeks after the end of the annual reporting period-end, interim Pillar 3 disclosures on a quarterly and/or semi-annual basis should be available within six weeks after the end of the relevant quarter or semester).

Reference: PIII.pdf, Page 3

C-182

Description: the level of assurance should be the same as for information provided within the management discussion and analysis part of the financial report).

Reference: PIII.pdf, Page 3

C-183

Description: The Pillar 3 Disclosures and reports have to be reviewed by internal audit of all bank for all

Reference: PIII.pdf, Page 3

C-184

Description: provided within the management discussion and analysis part of the financial report).

Reference: PIII.pdf, Page 4

C-185

Description: 183

CBUAE Classification: Public   All local banks and large foreign banks will need to have the annual Pillar 3 reports externally

Reference: PIII.pdf, Page 4

C-186

Description: Pillar 3 reports.

Reference: PIII.pdf, Page 4

C-187

Description: 183

CBUAE Classification: Public   All local banks and large foreign banks will need to have the annual Pillar 3 reports externally audited every two (2) years and smaller foreign banks (as defined in paragraph 27) will need to have the annual Pillar 3 reports externally audited every four (4) years.

Reference: PIII.pdf, Page 4

C-190

Description: The key elements of this policy should be described in the year-end Pillar 3 report.

Reference: PIII.pdf, Page 4

C-192

Description: to have the annual Pillar 3 reports externally audited every four (4) years.

Reference: PIII.pdf, Page 4

C-215

Description: Significant changes in risk exposures between reporting periods

Reference: PIII.pdf, Page 4

C-216

Description: Significant changes in risk exposures between reporting periods should be described, together with the appropriate response by management.

Reference: PIII.pdf, Page 4

C-231

Description: Additions, deletions and other important changes in disclosures from previous reports, including those arising from a bank's

Reference: PIII.pdf, Page 5

C-242

Description: mandatory templates that promote consistency of reporting and comparability across banks, and the need to allow senior management sufficient flexibility to provide commentary on a bank's

Reference: PIII.pdf, Page 1

C-248

Description: If no action is deemed necessary, this should be documented and clearly justified.

Reference: PII.pdf, Page 21

C-255

Description: ICAAP Submission and Approval Submission of the ICAAP report

Reference: PII.pdf, Page 21

C-256

Description: The annual ICAAP report should be submitted to the Central Bank on or before the

Reference: PII.pdf, Page 21

C-257

Description: The annual ICAAP report should be submitted to the Central Bank on or before the submission dates addressed in Table 1.

Reference: PII.pdf, Page 21

C-258

Description: All documents have to be submitted to the respective Central Bank reviewer by

Reference: PII.pdf, Page 21

C-259

Description: All documents have to be submitted to the respective Central Bank reviewer by softcopy (submitted in word or pdf format), sending a copy to bsed.basel@cbuae.gov.ae.

Reference: PII.pdf, Page 21

C-260

Description: The submission dates below as per Notice 2940/2022 differentiate between (i) national banks and foreign bank and (ii) size and importance of the banks: (Table 1) Table 1 - Submission date for ICAAP Report

Reference: PII.pdf, Page 21

C-262

Description: The ICAAP report should be approved by:

Reference: PII.pdf, Page 22

C-264

Description: The ICAAP report should be approved by: (i) Senior Management (including the CRO): The bank should use Appendix 1 –

Reference: PII.pdf, Page 22

C-265

Description: The ICAAP report should be approved by: (i) Senior Management (including the CRO): The bank should use Appendix 1 – ICAAP – Mandatory disclosure form (Table 2) and include it as an attachment to

Reference: PII.pdf, Page 22

C-266

Description: Citibank, Arab Bank, and Bank of Baroda Other Foreign Banks 15/04/2022 15/04 Approval of the ICAAP report: 128.

Reference: PII.pdf, Page 22

C-267

Description: Other Foreign Banks 15/04/2022 15/04 Approval of the ICAAP report: 128.

Reference: PII.pdf, Page 22

C-268

Description: The ICAAP report should be approved by: (i) Senior Management (including the CRO): The bank should use Appendix 1 – ICAAP – Mandatory disclosure form (Table 2) and include it as an attachment to the ICAAP report; (ii) Board approval: For all local banks, the ICAAP document must be approved by

Reference: PII.pdf, Page 22

C-269

Description: The meeting minutes of the Board of Directors meeting should state the approval of the ICAAP document and challenges that have

Reference: PII.pdf, Page 22

C-270

Description: the ICAAP report; (ii) Board approval: For all local banks, the ICAAP document must be approved by the Board or Board risk committee, and Senior Management prior to submission to the Central Bank.

Reference: PII.pdf, Page 22

C-271

Description: The meeting minutes of the Board of Directors meeting should state the approval of the ICAAP document and challenges that have taken place; and (iii) For foreign branches, the ICAAP document should be approved by (a) the

Reference: PII.pdf, Page 22

C-272

Description: should state the approval of the ICAAP document and challenges that have taken place; and (iii) For foreign branches, the ICAAP document should be approved by (a) the managing director and/ or relevant highest committee of the bank in the UAE, and by (b) their head office, stating that the ICAAP assumptions and forecasts are in line with the group's assumptions, forecasts, and that the group's Board approves/ endorse the results of the ICAAP.

Reference: PII.pdf, Page 22

C-278

Description: Internal Audit should perform an audit on the bank's ICAAP report annually.

Reference: PII.pdf, Page 22

C-279

Description: The report has to be submitted no later than three (3) months after the submission of the ICAAP report to

Reference: PII.pdf, Page 22

C-281

Description: The report has to be submitted no later than three (3) months after the submission of the ICAAP report to the bank's reviewer and in copy to bsed.basel@cbuae.gov.ae.

Reference: PII.pdf, Page 22

C-307

Description: Which reporting year (Y1/2/3) shall be reported in the Pillar 2 template in Appendix 2 – ICAAP: Executive summary

Reference: PII.pdf, Page 24

C-311

Description: (Y1/2/3) shall be reported in the Pillar 2 template in Appendix 2 – ICAAP: Executive summary table (Table 3)?

Reference: PII.pdf, Page 24

C-312

Description: In addition, the evaluation of Pillar 2 risks and stress test impact as of the reportingdate is mandatory for all banks.

Reference: PII.pdf, Page 24

C-313

Description: Question 6: Does the bank have to present the capital contingency plan as part of ICAAP report?,

Reference: PII.pdf, Page 24

C-314

Description: Question 6: Does the bank have to present the capital contingency plan as part of ICAAP report?, If the bank plans to inject capital, is it required to have two capital plans, one with and a second

Reference: PII.pdf, Page 24

C-316

Description: The actual capital contingency plan as a response to the ICAAP results has to be in line with the capital contingency policy and the ICAAP report should contain at least

Reference: PII.pdf, Page 24

C-320

Description: Injections can be considered if approved by Senior Management, if part of the official bank's capital plan and if the Central Bank is informed on the planned capital injections.

Reference: PII.pdf, Page 24

C-322

Description: An extension of the ICAAP report submission date will only be granted in

Reference: PII.pdf, Page 24

C-323

Description: An extension of the ICAAP report submission date will only be granted in exceptional cases, by the bank's Central Bank reviewer.

Reference: PII.pdf, Page 24

C-325

Description: A-IRB) while reporting credit 172

CBUAE Classification: Public risk under the ICAAP, and is it mandatory?

Reference: PII.pdf, Page 25

C-342

Description: be considered in light of the stress severity and likelihood. If no action is deemed necessary, this should be documented and clearly justified.

Reference: PII.pdf, Page 21

C-344

Description: taken place; and (iii) For foreign branches, the ICAAP document should be approved by (a) the

Reference: PII.pdf, Page 21

C-400

Description: The bank should be in a position to report, measure and manage risks arising from its subsidiaries, branches, group entities and

Reference: PII.pdf, Page 26

C-404

Description: position to report, measure and manage risks arising from its subsidiaries, branches, group entities and from the consolidation process.

Reference: PII.pdf, Page 26

C-406

Description: The capital management plan can be a separate document.

Reference: PII.pdf, Page 26

C-407

Description: However, the ICAAP report should display the full picture, including an overview of the capital

Reference: PII.pdf, Page 26

C-418

Description: Answer: The Central Bank is of the opinion that IA is not suffering a conflict of interest by reviewing a bank's ICAAP and by disclosing its general findings and findings specific to the ICAAP in the ICAAP report.

Reference: PII.pdf, Page 26

C-419

Description: IAis involved twofold in the ICAAP report:

Reference: PII.pdf, Page 26

C-420

Description: IAis involved twofold in the ICAAP report: (i) IA has to perform a review of the ICAAP (process) periodically as part of the

Reference: PII.pdf, Page 26

C-421

Description: Audit findings in the ICAAP report?

Reference: PII.pdf, Page 26

C-423

Description: bank's ICAAP and by disclosing its general findings and findings specific to the ICAAP in the ICAAP report.

Reference: PII.pdf, Page 26

C-425

Description: The ICAAP report shall contain the most recent (available) audit findings, their status, and actions taken.

Reference: PII.pdf, Page 26

C-434

Description: All banks are required to disclose the following information as a separate cover sheet when submitting the ICAAP report to the Central Bank:

Reference: PII.pdf, Page 27

C-435

Description: All banks are required to disclose the following information as a separate cover sheet when submitting the ICAAP report to the Central Bank: Table 2 - ICAAP Mandatory Details

Reference: PII.pdf, Page 27

C-436

Description: when submitting the ICAAP report to the Central Bank: Table 2 - ICAAP Mandatory Details Bank XXXX Date 20XX Contact point name and contact details [name, email, phone number] Scope of ICAAP (entities included) [legal entities in scope] I (full name) in my role as CRO hereby confirm the following on the ICAAP report:

Reference: PII.pdf, Page 27

C-437

Description: Bank XXXX Date 20XX Contact point name and contact details [name, email, phone number] Scope of ICAAP (entities included) [legal entities in scope] I (full name) in my role as CRO hereby confirm the following on the ICAAP report: (i) We have identified all material risks and allocated capital [tick box if accordingly completed]

Reference: PII.pdf, Page 27

C-438

Description: Contact point name and contact details [name, email, phone number] Scope of ICAAP (entities included) [legal entities in scope] I (full name) in my role as CRO hereby confirm the following on the ICAAP report: (i) We have identified all material risks and allocated capital [tick box if accordingly completed] (ii) We have set out a 3-5 year forward looking capital plan based on [tick box if the strategic/ financial plan of the bank completed]

Reference: PII.pdf, Page 27

C-439

Description: Scope of ICAAP (entities included) [legal entities in scope] I (full name) in my role as CRO hereby confirm the following on the ICAAP report: (i) We have identified all material risks and allocated capital [tick box if accordingly completed] (ii) We have set out a 3-5 year forward looking capital plan based on [tick box if the strategic/ financial plan of the bank completed] (iii) We have implemented a 3-5 year forward-looking stress test and [tick box if

Reference: PII.pdf, Page 27

C-441

Description: Date [date] 175

CBUAE Classification: Public Appendix 2 - ICAAP Executive Summary Table 3 - ICAAP Executive Summary As of the reporting date of the ICAAP Pillar 1 in AED ’000 Pillar 1 in AED ’000 Pillar 2 in AED ’000

Reference: PII.pdf, Page 28

C-442

Description: 175

CBUAE Classification: Public Appendix 2 - ICAAP Executive Summary Table 3 - ICAAP Executive Summary As of the reporting date of the ICAAP Pillar 1 in AED ’000 Pillar 1 in AED ’000 Pillar 2 in AED ’000 Date Reporting date of the ICAAP, year with the most severe year with the most severe

Reference: PII.pdf, Page 28

C-444

Description: position to report, measure and manage risks arising from its subsidiaries, branches, group entities and from the consolidation process. The ICAAP should reflect the results of the bank’s analysis.

Reference: PII.pdf, Page 26

C-448

Description: Earnings are calculated after the tax, which would have been reported had none of the distributable items been paid.

Reference: PI.pdf, Page 20

C-472

Description: Banks should use original maturity to report these instruments.

Reference: PI.pdf, Page 29

C-495

Description: The reporting is based on the underlying positions held by the fund; it

Reference: PI.pdf, Page 113

C-496

Description: The reporting is based on the underlying positions held by the fund; it could be covered under different areas of the market risk (e.g.

Reference: PI.pdf, Page 113

C-499

Description: A bank has the following positions that have been converted at spot rates into its reporting

Reference: PI.pdf, Page 115

C-500

Description: The capital charge is therefore calculated as 8% of AED 300m, plus the net position in gold (AED 35m): Capital charge = 8% of AED 335m = AED 26.8m Another example; A bank has the following positions that have been converted at spot rates into its reporting

Reference: PI.pdf, Page 115

C-501

Description: XYZ bank is exposed to a number of positions in the same commodity. The bank's reporting

Reference: PI.pdf, Page 115

C-502

Description: The bank's reporting currency is AED.

Reference: PI.pdf, Page 115

C-527

Description: Banks should perform a reconciliation between the gross income reported on the capital adequacy return and the audited financial statements.

Reference: PI.pdf, Page 123

C-547

Description: When a bank uses more than one approach to determinethe risk weight (that is, LTA, MBA, and/or FBA), the bank should report the amounts on separate lines in the reporting template.

Reference: PI.pdf, Page 86

C-635

Description: Yes, it will be part of equity and reported under equity derivative.

Reference: PI.pdf, Page 109

C-647

Description: In addition, how/where the reporting should be under which risk type (e.g.

Reference: PI.pdf, Page 110

C-648

Description: The two legs are reportable to the relevant market risk

Reference: PI.pdf, Page 110

C-649

Description: For example, if the cash placement is floating rate and denominated in foreign currency it would be reported under FX.

Reference: PI.pdf, Page 110

C-654

Description: Currently both methods are acceptable but to move forward with sensitivity or NPV approach, the bank shall seek Central Bank approval by providing all relevant documents.

Reference: PI.pdf, Page 110

C-656

Description: Question 13: Can the securities issued by local government be reported under

Reference: PI.pdf, Page 110

C-733

Description: An extraordinary or irregular item consists of gains or losses included on a bank's P&L statement (usually reported separately as these items are not predictors of future performance) from events

Reference: PI.pdf, Page 129

C-757

Description: Question 14: In terms of the "regular reporting", is an official ORM meeting required?

Reference: PI.pdf, Page 130

C-759

Description: It is up to the bank how it conveys the regular reports to the senior management and the board of

Reference: PI.pdf, Page 130

C-760

Description: It is up to the bank how it conveys the regular reports to the senior management and the board of directors, but the evidence of these reports were submitted needs to be documented for example

Reference: PI.pdf, Page 130

C-761

Description: directors, but the evidence of these reports were submitted needs to be documented for example senior management signatures on the reports.

Reference: PI.pdf, Page 130

C-783

Description: at a similar level of granularity as if the template/table were completed as presented in this document).

Reference: PIII.pdf, Page 6

C-785

Description: Banks may disclose in a document separate from their Pillar 3 report (e.g.

Reference: PIII.pdf, Page 6

C-789

Description: In such circumstances, the specific Pillar 3 table(s) may form a section in a bank's financial reporting, but

Reference: PIII.pdf, Page 6

C-790

Description: In such circumstances, the specific Pillar 3 table(s) may form a section in a bank's financial reporting, but the full table will be needed to be disclosed in the Pillar 3 tables separately as well.

Reference: PIII.pdf, Page 6

C-791

Description: The disclosure requirements for templates with a fixed format can be disclosed by banks in a separate document other than the Pillar 3 report provided all of the following criteria are met:

Reference: PIII.pdf, Page 6

C-792

Description: The disclosure requirements for templates with a fixed format can be disclosed by banks in a separate document other than the Pillar 3 report provided all of the following criteria are met: • the information contained in the signposted document is equivalent in terms of presentation and

Reference: PIII.pdf, Page 6

C-793

Description: The disclosure requirements for templates with a fixed format can be disclosed by banks in a separate document other than the Pillar 3 report provided all of the following criteria are met: • the information contained in the signposted document is equivalent in terms of presentation and content to that required in the fixed template and allows users to make meaningful comparisons

Reference: PIII.pdf, Page 6

C-794

Description: in a separate document other than the Pillar 3 report provided all of the following criteria are met: • the information contained in the signposted document is equivalent in terms of presentation and content to that required in the fixed template and allows users to make meaningful comparisons with information provided by banks disclosing the fixed format templates; • the information contained in the signposted document is based on the same scope of consolidation as the one used in the disclosure requirement; • the disclosure in the signposted document is mandatory.

Reference: PIII.pdf, Page 6

C-795

Description: • the information contained in the signposted document is equivalent in terms of presentation and content to that required in the fixed template and allows users to make meaningful comparisons with information provided by banks disclosing the fixed format templates; • the information contained in the signposted document is based on the same scope of consolidation as the one used in the disclosure requirement; • the disclosure in the signposted document is mandatory.

Reference: PIII.pdf, Page 6

C-796

Description: Banks should note that although signposting may be allowed in the annual report, the bank would

Reference: PIII.pdf, Page 6

C-797

Description: • the information contained in the signposted document is based on the same scope of consolidation as the one used in the disclosure requirement; • the disclosure in the signposted document is mandatory.

Reference: PIII.pdf, Page 6

C-798

Description: Banks should note that although signposting may be allowed in the annual report, the bank would still need to disclose this table separately in the Pillar 3 Disclosure along with all other tables mentioned in paragraph 27 below.

Reference: PIII.pdf, Page 6

C-799

Description: Banks can only make use of signposting to another document if the level of assurance on

Reference: PIII.pdf, Page 6

C-802

Description: • the disclosure in the signposted document is mandatory.

Reference: PIII.pdf, Page 6

C-803

Description: Banks can only make use of signposting to another document if the level of assurance on the reliability of data in the separate document are equivalent to, or greater than, the internal assurance level required for the Pillar 3 report (see sections on reporting and assurance of Pillar

Reference: PIII.pdf, Page 6

C-805

Description: the reliability of data in the separate document are equivalent to, or greater than, the internal assurance level required for the Pillar 3 report (see sections on reporting and assurance of Pillar 3 data above).

Reference: PIII.pdf, Page 6

C-806

Description: Banks are expected to supplement the quantitative information provided in both fixed and flexible templates with a narrative commentary to explain at least any significant changes between reporting periods and any other issues that management considers to be of interest to market

Reference: PIII.pdf, Page 6

C-808

Description: flexible templates with a narrative commentary to explain at least any significant changes between reporting periods and any other issues that management considers to be of interest to market participants.

Reference: PIII.pdf, Page 6

C-811

Description: reporting periods and any other issues that management considers to be of interest to market participants.

Reference: PIII.pdf, Page 6

C-818

Description: Please note: It is mandatory for all local banks to report all tables as per below schedule.

Reference: PIII.pdf, Page 7

C-819

Description: It is also mandatory for branches of foreign banks with RWA of more than AED 5 billion to report all tables as per below schedule.

Reference: PIII.pdf, Page 7

C-820

Description: Branches of foreign banks with RWA of less than AED 5 billion should report the below tables highlighted in Yellow and BOLD only

Reference: PIII.pdf, Page 7

C-825

Description: the BASEL returns (BRF 95), in relation to this, the submission that mentions 6 weeks after the end of the relevant quarter starts from the BASEL quarter reporting deadline or actual quarter end?

Reference: PIII.pdf, Page 10

C-828

Description: Question 4: Pillar 3 disclosures can be presented in a separate report; however, Can

Reference: PIII.pdf, Page 10

C-829

Description: Question 4: Pillar 3 disclosures can be presented in a separate report; however, Can it be signposted to the audited financial statements?

Reference: PIII.pdf, Page 10

C-830

Description: Signposting is allowed if the bank chooses to use the same template in their audited financial statements but a separate reporting template needs to be prepared as per Pillar 3 templates

Reference: PIII.pdf, Page 10

C-831

Description: Signposting is allowed if the bank chooses to use the same template in their audited financial statements but a separate reporting template needs to be prepared as per Pillar 3 templates which is mandatory and cannot be omitted from the Pillar 3 tables.

Reference: PIII.pdf, Page 10

C-844

Description: Question 8: For REM1 template, is Central Bank expecting the Bank to report overseas

Reference: PIII.pdf, Page 10

C-846

Description: • the information contained in the signposted document is equivalent in terms of presentation and content to that required in the fixed template and allows users to make meaningful comparisons

Reference: PIII.pdf, Page 6

C-926

Description: Consequently, Pillar 2 is both a bank internal process reported under the ICAAP, and

Reference: PII.pdf, Page 2

C-930

Description: Each bank bears the responsibility for the appropriate identification, estimation, and reporting of

Reference: PII.pdf, Page 2

C-931

Description: Each bank bears the responsibility for the appropriate identification, estimation, and reporting of risks, and the corresponding the calibration of capital necessary to mitigate these risks.

Reference: PII.pdf, Page 2

C-932

Description: It also intends to support each bank in the identification, measurement, reporting, and

Reference: PII.pdf, Page 2

C-933

Description: It also intends to support each bank in the identification, measurement, reporting, and mitigation of Pillar 2 risks.

Reference: PII.pdf, Page 2

C-941

Description: be fully documented, transparent and replicable.

Reference: PII.pdf, Page 3

C-946

Description: Smaller banks have to perform the whole ICAAP and address the full reporting

Reference: PII.pdf, Page 3

C-948

Description: For the licensed operations of foreign banks in the UAE, when this document refers to

Reference: PII.pdf, Page 3

C-949

Description: For the licensed operations of foreign banks in the UAE, when this document refers to the bank's Board, it should be comprehended as the Managing Director and/ or the highest

Reference: PII.pdf, Page 3

C-953

Description: appropriate approval process of the ICAAP report and its submission timelines; and (iii) Formulates expectations about additional sections of the ICAAP report (e.g.

Reference: PII.pdf, Page 3

C-954

Description: related to internal audit findings and changes compared to the previous ICAAP report).

Reference: PII.pdf, Page 3

C-955

Description: It is important that the executive summary of the ICAAP document produced by each

Reference: PII.pdf, Page 3

C-956

Description: and (iii) Formulates expectations about additional sections of the ICAAP report (e.g.

Reference: PII.pdf, Page 3

C-957

Description: It is important that the executive summary of the ICAAP document produced by each bank should explain the views of Senior Management and the Board on the suitability of the

Reference: PII.pdf, Page 3

C-958

Description: It is important that the executive summary of the ICAAP document produced by each bank should explain the views of Senior Management and the Board on the suitability of the bank's capital to cover the risks faced by the bank in light of its risk profile, its risk appetite and its future business plans.

Reference: PII.pdf, Page 3

C-965

Description: More specifically, the executive summary of the ICAAP report should contain the

Reference: PII.pdf, Page 3

C-967

Description: (iv) A description of the current capital position of the bank showing the allocation of capital per risk type, covering Pillar 1 and Pillar 2 risks; (v) Each bank should complete the ICAAP Executive Summary Table (Table 3) as 151

CBUAE Classification: Public indicated in Appendix 2 of this document;

Reference: PII.pdf, Page 4

C-970

Description: Appendix 3.4 lists further information and documentation that is required to accompany

Reference: PII.pdf, Page 4

C-971

Description: Appendix 3.4 lists further information and documentation that is required to accompany a bank's ICAAP report.

Reference: PII.pdf, Page 4

C-978

Description: The framework must include measures reflected in the ICAAP report applied in day-to-day business and supported by

Reference: PII.pdf, Page 4

C-979

Description: measures reflected in the ICAAP report applied in day-to-day business and supported by suitable MIS at appropriate frequencies.

Reference: PII.pdf, Page 4

C-980

Description: On an annual basis, every bank is required to submit a document outlining the outcome of the ICAAP to the Central Bank, usually referred

Reference: PII.pdf, Page 4

C-988

Description: The frequency of reporting to the Board is expected to be at least quarterly, but,

Reference: PII.pdf, Page 5

C-989

Description: The frequency of reporting to the Board is expected to be at least quarterly, but, depending on the size, complexity, business model, risk types of the institution, and the market environment, reporting might need to be more frequent to ensure timely management actions.

Reference: PII.pdf, Page 5

C-990

Description: The quarterly reporting should comprise the internal calculation of the capital ratios (Pillar 1

Reference: PII.pdf, Page 5

C-991

Description: The quarterly reporting should comprise the internal calculation of the capital ratios (Pillar 1 and Pillar 2 under business-as-usual (BAU) and under stress scenarios), which includes determining the surplus/ shortfall of capital.

Reference: PII.pdf, Page 5

C-992

Description: environment, reporting might need to be more frequent to ensure timely management actions.

Reference: PII.pdf, Page 5

C-993

Description: Nevertheless, the ICAAP reporting to the Central Bank remains an annual exercise.

Reference: PII.pdf, Page 5

C-994

Description: However, if the quarterly results deviate significantly compared to the results of the ICAAP report as submitted to the Central Bank, then the bank

Reference: PII.pdf, Page 5

C-995

Description: However, if the quarterly results deviate significantly compared to the results of the ICAAP report as submitted to the Central Bank, then the bank should inform the Central Bank of the updated capital plan (including reasons for the

Reference: PII.pdf, Page 5

C-999

Description: compared to the results of the ICAAP report as submitted to the Central Bank, then the bank should inform the Central Bank of the updated capital plan (including reasons for the deviations, capital ratios and mitigation actions).

Reference: PII.pdf, Page 5

C-1129

Description: When the ECAI receives compensation unrelated to its credit rating services from a party such as a rated entity, obligor, originator, lead underwriter, or arranger, the ECAI should disclose such compensation as a percentage of the total annual compensation received from that party in the relevant credit rating report or

Reference: PI.pdf, Page 141

C-1130

Description: An ECAI should disclose in the relevant credit rating report or

Reference: PI.pdf, Page 141

C-1131

Description: total annual compensation received from that party in the relevant credit rating report or elsewhere, as appropriate.

Reference: PI.pdf, Page 141

C-1132

Description: An ECAI should disclose in the relevant credit rating report or elsewhere, as appropriate, if it receives 10% or more of its annual revenue from a single party (e.g., a rated entity, obligor, originator, lead underwriter, arranger, or subscriber, or any of their affiliates).

Reference: PI.pdf, Page 141

C-1163

Description: Banks may not "cherry-pick" the ratings provided by different ECAIs, and must maintain records of which ECAIs they use for

Reference: PI.pdf, Page 144

C-1164

Description: Banks may not "cherry-pick" the ratings provided by different ECAIs, and must maintain records of which ECAIs they use for various purposes within capital adequacy calculations.

Reference: PI.pdf, Page 144

C-1264

Description: must have been established for at least one year and preferably three years; (vi) All rating decisions should be made based on the ECAI's established criteria and methodologies, subject to documented variations approved in accordance with the ECAI's procedures; (vii) The ECAI should have a mechanism to review its procedures and methodologies to adapt them to a potentially changing environment; and (viii) The ECAI should maintain adequate systems and internal records to support its

Reference: PI.pdf, Page 139

C-1269

Description: (viii) The ECAI should maintain adequate systems and internal records to support its assigned ratings.

Reference: PI.pdf, Page 139

C-1306

Description: adapt them to a potentially changing environment; and (viii) The ECAI should maintain adequate systems and internal records to support its

Reference: PI.pdf, Page 137

C-1517

Description: However, banks need to report the hedged options in the respective sheet.

Reference: PI.pdf, Page 107

C-1565

Description: Any exposure that is past due for more than 90 days should be reported under this asset class, net of specific provisions

Reference: PI.pdf, Page 28

C-1578

Description: The process of stress tests should be supported by robust and documented

Reference: PII.pdf, Page 21

C-1645

Description: T2 10 2.72 12.72 TC 43 5.65 48.65 15

CBUAE Classification: Public Appendix 5: Threshold Deduction This Appendix is meant to clarify the reporting of threshold deduction and calculation of the 10%

Reference: PI.pdf, Page 15

C-1719

Description: Each bank should demonstrate its appropriate usage of the ICAAP via the production of thorough documentation, reporting covering the process, methodology, decision-making for

Reference: PII.pdf, Page 7

C-1720

Description: Each bank should document the overall ICAAP design,

Reference: PII.pdf, Page 7

C-1721

Description: Each bank should document the overall ICAAP design, including key elements and the mechanism by which they interact with each other.

Reference: PII.pdf, Page 7

C-1723

Description: Such components should include, but not be limited to, the business strategies, risk appetite statement, risk measurement methods, stress tests programme, and reporting across the

Reference: PII.pdf, Page 7

C-1724

Description: of thorough documentation, reporting covering the process, methodology, decision-making for capital allocation, and strategy.

Reference: PII.pdf, Page 7

C-1729

Description: statement, risk measurement methods, stress tests programme, and reporting across the Group.

Reference: PII.pdf, Page 7

C-1731

Description: addition to the annual ICAAP report exercise.

Reference: PII.pdf, Page 7

C-1752

Description: The timing and execution of these management actions should be supported by appropriate trigger points of the bank's capital position, which may be informed by their internal risk appetite for capital adequacy.

Reference: PII.pdf, Page 8

C-1755

Description: The results should be disclosed in the ICAAP report with and without

Reference: PII.pdf, Page 8

C-1870

Description: The fact that QCCP documentation does not prohibit client trades from being ported is not sufficient to conclude

Reference: PIII.pdf, Page 18

C-1871

Description: For example, if a written credit derivative 197

CBUAE Classification: Public had a positive fair value of 20 on one date, but then declines by 30 to have a negative fair value of 10 on a subsequent reporting date, the effective notional amount of the credit

Reference: PIII.pdf, Page 18

C-1872

Description: 197

CBUAE Classification: Public had a positive fair value of 20 on one date, but then declines by 30 to have a negative fair value of 10 on a subsequent reporting date, the effective notional amount of the credit derivative may be reduced by 10 – the effective notional amount may not be reduced by 30.

Reference: PIII.pdf, Page 18

C-1873

Description: However, if on the subsequent reporting date, the credit derivative has a positive fair value

Reference: PIII.pdf, Page 18

C-1874

Description: However, if on the subsequent reporting date, the credit derivative has a positive fair value of five, the effective notional amount cannot be reduced at all.

Reference: PIII.pdf, Page 18

C-1875

Description: value of 10 on a subsequent reporting date, the effective notional amount of the credit derivative may be reduced by 10 – the effective notional amount may not be reduced by 30.

Reference: PIII.pdf, Page 18

C-1876

Description: This treatment is consistent with the rationale that the effective notional amounts included in the exposure measure may be capped at the level of the maximum potential loss, which means that the maximum potential loss at the reporting date is the notional amount of the credit derivative minus any

Reference: PIII.pdf, Page 18

C-1877

Description: with the rationale that the effective notional amounts included in the exposure measure may be capped at the level of the maximum potential loss, which means that the maximum potential loss at the reporting date is the notional amount of the credit derivative minus any negative fair value that has already reduced Tier 1 capital.

Reference: PIII.pdf, Page 18

C-1897

Description: Frequently Asked Questions Question 1: Is the starting point for the leverage ratio exposure calculation total on-balance-sheet assets as reported in the financial statements?

Reference: PIII.pdf, Page 20

C-1911

Description: Each bank should provide details in the ICAAP report on the outcome of its Risk Control Self-Assessment (RCSA)

Reference: PII.pdf, Page 14

C-1913

Description: Each bank should provide details in the ICAAP report on the outcome of its Risk Control Self-Assessment (RCSA) process to collate bottom-up operational risk drivers across businesses.

Reference: PII.pdf, Page 14

C-1931

Description: At a minimum, each bank should calculate and report

Reference: PII.pdf, Page 14

C-1964

Description: compare several methodologies and propose a choice based on clear and documented justification. At a minimum, each bank should calculate and report

Reference: PII.pdf, Page 14

C-1974

Description: The following is the current situation: Current spot price of the 5.00 EUR per kg commodity per unit (kg) in local currency Current EUR/AED FX spot 4.25 1 EUR = 4.25 AED rate Further calculation to the position after conversion to local reporting bank's currency

Reference: PI.pdf, Page 117

C-1991

Description: The individual netting set calculations can be aggregated to the counterparty level for reporting or other purposes.

Reference: PI.pdf, Page 37

C-1995

Description: The precise specification (including the values of the embedded constants of 14 and 15) is the result of an empirical exercise conducted by the Basel Committee on Banking Supervision to identify a relatively simple functional form that would provide a sufficiently close fit to CDO sensitivities as reported by a set of globally active banks.

Reference: PI.pdf, Page 40

C-1999

Description: The bank should provide a high-level summary reports or reviews of the outsourced

Reference: PII.pdf, Page 31

C-2000

Description: The bank should provide a high-level summary reports or reviews of the outsourced functions' related policy documentation and processes.

Reference: PII.pdf, Page 31

C-2003

Description: In addition to normal stress testing, each bank is expected to conduct reverse stress tests and document the process and outcomes of the process in the ICAAP report.

Reference: PII.pdf, Page 31

C-2010

Description: 3.4 Supplementary Content Required in an ICAAP Report

Reference: PII.pdf, Page 32

C-2011

Description: The following supplementary topics should be documented in the ICAAP report.

Reference: PII.pdf, Page 32

C-2043

Description: Claims on Corporates Question 9: Should loans to High Net Worth Individuals (HNIs) be reported under claims in

Reference: PI.pdf, Page 32

C-2045

Description: 33

CBUAE Classification: Public No, HNI classification should be aligned with the BRF explanatory note and should be reported

Reference: PI.pdf, Page 33

C-2046

Description: CBUAE Classification: Public No, HNI classification should be aligned with the BRF explanatory note and should be reported under claims on corporate.

Reference: PI.pdf, Page 33

C-2047

Description: Question 10: What is the treatment for SMEs and in which asset class are SME exposures reported?

Reference: PI.pdf, Page 33

C-2048

Description: Exposures classified as SME according to BRF explanatory note, are for capital adequacy reporting purposes

Reference: PI.pdf, Page 33

C-2049

Description: Exposures classified as SME according to BRF explanatory note, are for capital adequacy reporting purposes classified as “Retail SME” and “corporate SME”.

Reference: PI.pdf, Page 33

C-2052

Description: Yes, if a customer has more than 4 properties, a bank has to report all properties of that customer

Reference: PI.pdf, Page 33

C-2060

Description: The following elements should be included in the ICAAP report or related appendix:

Reference: PII.pdf, Page 9

C-2061

Description: The following elements should be included in the ICAAP report or related appendix: (i) Assumptions related to business developments over the forecasted period; (ii) Assumptions related to the economic environment over the forecasted period; (iii) Summary of historic capital base, aggregate RWAs, and CAR ratios for a minimum of five (5) years; (iv) Disclosure of the following forecasted financial projections:

Reference: PII.pdf, Page 9

C-2084

Description: An inventory of risks should be recorded for each business activity and each portfolio on a regular

Reference: PII.pdf, Page 9

C-2086

Description: The measurement of risk should be transparent, documented, and supported by

Reference: PII.pdf, Page 9

C-2087

Description: The measurement of risk should be transparent, documented, and supported by subject-matter experts throughout the bank.

Reference: PII.pdf, Page 9

C-2109

Description: The business planning should be clear, aligned, and 158

CBUAE Classification: Public integrated with the bank's strategy, governance, risk-appetite statement, recovery plans, internal controls, stress tests, and internal reporting (MIS).

Reference: PII.pdf, Page 10

C-2111

Description: CBUAE Classification: Public integrated with the bank's strategy, governance, risk-appetite statement, recovery plans, internal controls, stress tests, and internal reporting (MIS).

Reference: PII.pdf, Page 10

C-2123

Description: The documentation provided in support of the business model should contain an

Reference: PII.pdf, Page 10

C-2124

Description: The documentation provided in support of the business model should contain an overview of the business activities of the bank and anoverview of the structure/organisational details of the bank.

Reference: PII.pdf, Page 10

C-2125

Description: The following additional information and documentation should be referenced (if not

Reference: PII.pdf, Page 10

C-2126

Description: The following additional information and documentation should be referenced (if not part of) the ICAAP report: (i) Bank's strategic plan(s) with current-year, forward-looking forecasts, and underlying economic assumptions; (ii) Financial reporting (e.g.

Reference: PII.pdf, Page 10

C-2127

Description: profit and loss (P&L), and balance sheet), covering the most recent period and the whole (forward-looking) ICAAP reporting period;

Reference: PII.pdf, Page 10

C-2128

Description: management information, capital reporting, liquidity

Reference: PII.pdf, Page 10

C-2129

Description: part of) the ICAAP report: (i) Bank's strategic plan(s) with current-year, forward-looking forecasts, and underlying economic assumptions; (ii) Financial reporting (e.g.

Reference: PII.pdf, Page 10

C-2130

Description: management information, capital reporting, liquidity reporting, and internal risk reporting);

Reference: PII.pdf, Page 10

C-2131

Description: (ii) Financial reporting (e.g.

Reference: PII.pdf, Page 10

C-2132

Description: management information, capital reporting, liquidity reporting, and internal risk reporting); (iv) Recovery plans, including the results of resolvability assessment, if any, and identification of critical functions; (v) Third-party reports (e.g.

Reference: PII.pdf, Page 10

C-2133

Description: audit reports, and reports by equity/credit analysts),

Reference: PII.pdf, Page 10

C-2158

Description: identification of critical functions; (v) Third-party reports (e.g.

Reference: PII.pdf, Page 12

C-2159

Description: audit reports, and reports by equity/credit analysts), states their main concerns and issues; 159

CBUAE Classification: Public (vi) A descriptive report on the main business lines generating revenues broken

Reference: PII.pdf, Page 12

C-2386

Description: While these exercises are originally designed to inform regulators for supervision purposes, they should also inform Senior Management and steer

Reference: PII.pdf, Page 19

C-2390

Description: supervision purposes, they should also inform Senior Management and steer internal decision-making.

Reference: PII.pdf, Page 19

C-2401

Description: The scope of these scenarios should cover all the risks identified as part of the identification process documented in the ICAAP.

Reference: PII.pdf, Page 19

C-2511

Description: Rather, the execution of stress tests is a collective exercise, whereby numerous stakeholders contribute to the design, measurement, reporting

Reference: PII.pdf, Page 18

C-2946

Description: CBUAE Classification: Public year only to be reported?

Reference: PIII.pdf, Page 11

C-2947

Description: If an employee has a deferral which has a tranche of a prior year paid out after they have left the Branch, is it expected that this would be reported

Reference: PIII.pdf, Page 11

C-2948

Description: If a prior year tranches awarded is reported should this be reported if the

Reference: PIII.pdf, Page 11

C-2949

Description: If a prior year tranches awarded is reported should this be reported if the individual is no longer an employee of the Branch?

Reference: PIII.pdf, Page 11

C-2950

Description: All contract earnings of all employees need to be reported even if the employee is earning

Reference: PIII.pdf, Page 11

C-2951

Description: All contract earnings of all employees need to be reported even if the employee is earning compensation in UAE and outside UAE.

Reference: PIII.pdf, Page 11

C-2952

Description: severance payment for a normal leaver to be reported depending upon the definition of “other material risk taker” OR

Reference: PIII.pdf, Page 11

C-2953

Description: severance payment for a normal leaver to be reported depending upon the definition of "other material risk taker" OR are banks also required to report any additional payment such as a redundancy type

Reference: PIII.pdf, Page 11

C-2955

Description: Should a transfer of Senior Management personnel or Other Material Risk- takers to other branch of the Bank be considered as severance for reporting purpose?

Reference: PIII.pdf, Page 11

C-2956

Description: All payments regardless of the type of payment based on the contract needs to be reported

Reference: PIII.pdf, Page 11

C-2957

Description: All payments regardless of the type of payment based on the contract needs to be reported Question 10: For branches of foreign banks where the Head Office reports to the home

Reference: PIII.pdf, Page 11

C-2958

Description: All payments regardless of the type of payment based on the contract needs to be reported Question 10: For branches of foreign banks where the Head Office reports to the home regulator, there are pre-fixed formats prepared and submitted at a frequency as

Reference: PIII.pdf, Page 11

C-2959

Description: are banks also required to report any additional payment such as a redundancy type payment?

Reference: PIII.pdf, Page 11

C-2960

Description: Can the branch of foreign banks provide such reports

Reference: PIII.pdf, Page 11

C-2961

Description: Can the branch of foreign banks provide such reports in UAE which are submitted to the home regulator as a part of UAE Pillar 3

Reference: PIII.pdf, Page 11

C-2962

Description: Reports sent between Head Office and UAE needs to be separated and only the Pillar 3

Reference: PIII.pdf, Page 11

C-2963

Description: Question 10: For branches of foreign banks where the Head Office reports to the home regulator, there are pre-fixed formats prepared and submitted at a frequency as stipulated by home regulator.

Reference: PIII.pdf, Page 11

C-2964

Description: Reports sent between Head Office and UAE needs to be separated and only the Pillar 3 disclosures as per this Guidance needs to be reported for UAE branches in the mandatory

Reference: PIII.pdf, Page 11

C-2965

Description: In this case, what do banks need to report in CCyB template?

Reference: PIII.pdf, Page 11

C-2968

Description: report in CCyB template?

Reference: PIII.pdf, Page 11

C-2973

Description: Question 16: CCR8 requires Bank to report Exposures to Non QCCPs (excluding initial

Reference: PIII.pdf, Page 11

C-2974

Description: Question 16: CCR8 requires Bank to report Exposures to Non QCCPs (excluding initial margin and default fund contribution) arising of (i) OTC derivatives, (ii) Exchange- traded derivatives, (iii) Securities financing transactions & (iv) Netting sets where cross-product netting has been approved.

Reference: PIII.pdf, Page 11

C-2975

Description: Currently, UAE has no netting jurisdiction but such exposures reported will be taken into

Reference: PIII.pdf, Page 11

C-2977

Description: Is there any format for reporting the liquidity gap report?

Reference: PIII.pdf, Page 12

C-2978

Description: As per BRF 9 reported by the bank.

Reference: PIII.pdf, Page 12

C-2981

Description: Prior to each release of the leverage ratio, the BCBS published consultative documentation and sought comments from the industry.

Reference: PIII.pdf, Page 14

C-2982

Description: In designing the UAE leverage ratio framework, the Central Bank considered the full evolution of the BCBS leverage ratio, including consultative frameworks, reporting

Reference: PIII.pdf, Page 14

C-3101

Description: The guidance document has structured into six main sections

Reference: PI.pdf, Page 2

C-3109

Description: The amount reported under accumulated retained earnings (5.1.4.1) should be as per the

Reference: PI.pdf, Page 3

C-3110

Description: The amount reported under accumulated retained earnings (5.1.4.1) should be as per the audited financial statement at year end and should remain the same for the entire financial year.

Reference: PI.pdf, Page 3

C-3113

Description: Dividend expected/ proposed for the financial year should be reported under 5.1.4.3 and

Reference: PI.pdf, Page 3

C-3114

Description: Dividend expected/ proposed for the financial year should be reported under 5.1.4.3 and will be deducted from Retained Earnings/ (Loss) (5.1.4).

Reference: PI.pdf, Page 3

C-3118

Description: reported under 5.1.4.4 IFRS transitional arrangement.

Reference: PI.pdf, Page 4

C-3126

Description: The deduction should be reported under 5.1.4.5 of the BRF 95.

Reference: PI.pdf, Page 4

C-3176

Description: The Central Bank will review the identification of netting sets as part of the supervisory process, and notify the bank of any determinations that netting is not appropriate.

Reference: PI.pdf, Page 46

C-3338

Description: Question 8: For REM1 template, is Central Bank expecting the Bank to report overseas earnings or only the locally paid compensation?

Reference: PIII.pdf, Page 10

C-3339

Description: Are deferrals awarded in the current 190

CBUAE Classification: Public year only to be reported?

Reference: PIII.pdf, Page 10

C-3483

Description: CBUAE Classification: Public Appendix 5: Threshold Deduction This Appendix is meant to clarify the reporting of threshold deduction and calculation of the 10%

Reference: PI.pdf, Page 16

C-3602

Description: The Central Bank will issue all related material regarding Solo reporting during 2020.

Reference: PI.pdf, Page 6

C-3670

Description: The results should be disclosed in the ICAAP report with and without those management actions that have been approved by the bank's Board.

Reference: PII.pdf, Page 8

C-3833

Description: This leads to a 64

CBUAE Classification: Public credit support amount of AED 90 million (80 million plus 10 million), which is assumed to have been fully received as of the reporting date.

Reference: PI.pdf, Page 64

C-3958

Description: Each bank is required to download the most current reporting template prior to finalizing the ICAAP report from the CBUAE IRR SYSTEM

Reference: PII.pdf, Page 29

C-3959

Description: Each bank is required to download the most current reporting template prior to finalizing the ICAAP report from the CBUAE IRR SYSTEM (BRF/BASEL Portal) (CBUAE IRR), in the live environment for banks: (i) Detailed reporting template including description (this report must be available

Reference: PII.pdf, Page 29

C-3960

Description: Each bank is required to download the most current reporting template prior to finalizing the ICAAP report from the CBUAE IRR SYSTEM (BRF/BASEL Portal) (CBUAE IRR), in the live environment for banks: (i) Detailed reporting template including description (this report must be available upon request); and (ii) Executive Summary report (should form part of the ICAAP report Executive

Reference: PII.pdf, Page 29

C-3961

Description: In the ICAAP report, each bank should provide high level summaries of key areas of

Reference: PII.pdf, Page 29

C-3968

Description: with a description of responsibilities, and the separation of functions); (ii) Arrangements through which the Board and Senior Management define the bank-wide risk appetite; (iii) Relevant policies and risk appetite/limits/tolerance; and (iv) How the Chief Risk Officer (CRO) is held responsible for the methodology and utilisation of the ICAAP, including reporting comprehensive, comprehensible information on risks; and

Reference: PII.pdf, Page 29

C-3969

Description: utilisation of the ICAAP, including reporting comprehensive, comprehensible information on risks; and advising the Board independently and objectively, enabling them to understand the bank's overall risk profile and to effectively discharge their responsibilities.

Reference: PII.pdf, Page 29

C-3970

Description: With regard to the bank's risk management and control function, the ICAAP report is

Reference: PII.pdf, Page 29

C-3986

Description: The ICAAP report should describe the following with regard

Reference: PII.pdf, Page 30

C-3998

Description: upon request); and (ii) Executive Summary report (should form part of the ICAAP report Executive

Reference: PII.pdf, Page 29

C-3999

Description: exposures, risk appetite, and tolerance; and (iii) The Risk Management Function (RMF) is structured, including reporting lines

Reference: PII.pdf, Page 29

C-4134

Description: corporates, financials, sovereigns); do these need to be calculated separately in order to compute and report RWA in the format

Reference: PI.pdf, Page 49

C-4135

Description: No, the risk-weight, and the category for reporting in the Central Bank's template, depends on the

Reference: PI.pdf, Page 49

C-4136

Description: No, the risk-weight, and the category for reporting in the Central Bank's template, depends on the nature of the counterparty, not the nature of the underlying reference asset.

Reference: PI.pdf, Page 49

C-4137

Description: The counterparty for any netting set will fall into one and only one category for risk weighting and for reporting.

Reference: PI.pdf, Page 49

C-4139

Description: required by the reporting template?

Reference: PI.pdf, Page 49

C-4243

Description: Yes, if a customer has more than 4 properties, a bank has to report all properties of that customer as claims on commercial properties and the risk weight of the properties shall be 100%.

Reference: PI.pdf, Page 33

Security

C-7

Description: Counterparty credit risk capital under Basel II was based on the credit risk framework, and designed to provide protection against default and migration risk

Reference: PI.pdf, Page 65

C-8

Description: Counterparty credit risk capital under Basel II was based on the credit risk framework, and designed to provide protection against default and migration risk rather than the potential losses that can arise through variations in CVA.

Reference: PI.pdf, Page 65

C-10

Description: on the credit risk framework, and designed to provide protection against default and migration risk rather than the potential losses that can arise through variations in CVA.

Reference: PI.pdf, Page 65

C-11

Description: The purpose of the Basel III CVA capital charge is to ensure that bank capital provides adequate protection against the risks of future changes in CVA.

Reference: PI.pdf, Page 65

C-481

Description: However, where the credit protection is denominated in a currency different from that of the underlying obligation, the covered portion should be reduced by a standard supervisory

Reference: PI.pdf, Page 30

C-482

Description: For eligible collateral, the value of credit protection to be recorded is its market value, subject to a minimum revaluation frequency of 6 months for performing assets, and 3 months for

Reference: PI.pdf, Page 30

C-651

Description: using an internal hedge), the banking book exposure is not deemed to be hedged for capital purposes unless the bank purchases from an eligible third party protection provider a credit derivative meeting the

Reference: PI.pdf, Page 110

C-661

Description: Elsewise (if denominated and funded in foreign currency and if the debt security is not GCC sovereign paper) rating and residual maturity shall be applied.

Reference: PI.pdf, Page 110

C-662

Description: and/or General), FX, Equity, etc.) depends on the nature of the cash placement (one 'leg') and that of the security/collateral (other 'leg'). The two legs are reportable to the relevant market risk

Reference: PI.pdf, Page 109

C-881

Description: CVA capital and RWA with an index hedge The bank from the previous example has the same portfolio, including the single-name hedge of Galaxy Financial, but now enters into an index CDS that provides credit spread protection against

Reference: PI.pdf, Page 81

C-1518

Description: In some cases, such as foreign exchange, it may be unclear which side is the "underlying security." In such cases, the asset that would be received if the option were exercised should be

Reference: PI.pdf, Page 107

C-1880

Description: For tranched products, the credit protection purchased through credit derivatives must be on a reference obligation with the same level of seniority.

Reference: PIII.pdf, Page 18

C-1881

Description: Another required condition is that the credit protection purchased through credit derivatives is not purchased from a counterparty whose credit quality is highly correlated with the value of the reference obligation, which would generate wrong-way risk.

Reference: PIII.pdf, Page 18

C-1886

Description: For the purposes of the leverage ratio, the term "written credit derivative" refers to a broad range of credit derivatives through which a bank effectively provides credit protection

Reference: PIII.pdf, Page 18

C-1887

Description: For the purposes of the leverage ratio, the term "written credit derivative" refers to a broad range of credit derivatives through which a bank effectively provides credit protection and is not limited solely to credit default swaps and total return swaps.

Reference: PIII.pdf, Page 18

C-1888

Description: For example, all options where the bank has the obligation to provide credit protection under certain

Reference: PIII.pdf, Page 18

C-1893

Description: In situations where a bank is economically exposed beyond providing an indemnity or guarantee for the difference between the value of the security or cash its customer has lent and the value of the collateral the borrower has provided, a further exposure equal to

Reference: PIII.pdf, Page 19

C-1894

Description: lent and the value of the collateral the borrower has provided, a further exposure equal to the full amount of the security or cash must be included in the leverage ratio exposure measure.

Reference: PIII.pdf, Page 19

C-2300

Description: Tranched protection In the case of tranched credit protection, the original securitisation tranche should be

Reference: PI.pdf, Page 94

C-2301

Description: Tranched protection In the case of tranched credit protection, the original securitisation tranche should be decomposed into protected and unprotected sub-tranches.

Reference: PI.pdf, Page 94

C-2306

Description: The calculation of the risk weight of each sub-tranche is independent from the question of whether the sub-tranche is protected (i.e., risk is taken by the protection provider) or is

Reference: PI.pdf, Page 94

C-2847

Description: CVA capital and RWA with a single-name hedge The bank from the previous example has the same portfolio, but in this example enters into a CDS with a third party that provides protection on Galaxy Financial, to protect against a potential

Reference: PI.pdf, Page 79

C-2848

Description: CVA capital and RWA with a single-name hedge The bank from the previous example has the same portfolio, but in this example enters into a CDS with a third party that provides protection on Galaxy Financial, to protect against a potential increase in credit spreads that would reduce the fair value of transactions with Galaxy if Galaxy's credit quality deteriorates.

Reference: PI.pdf, Page 79

Training

C-772

Description: Where the format of a template is described as fixed, banks should complete the fields in accordance with the instructions given.

Reference: PIII.pdf, Page 6