

## **Explanatory References to the Reporting Formats**

### **General**

The calculation of capital charge should be based on the detailed instructions issued vide BSD Circular No. 8 of 2006 dated June 27, 2006. Following reference points should be used for explanations to the reporting requirements:

The reporting requirement consists of four parts as follows:

		<b>Forms</b>
1.	Capital Adequacy Summary	CAP 1 & CAP 2
2.	Calculations for Credit Risk Weighted Amount	CR 1 to CR 4
3.	Calculations for Market Risk Weighted Amount	MR 1 to MR 6
4.	Calculation for Operational Risk Weighted Amount	OR 1

References to the instructions for each of the forms are as under:

### **1. CAP 1**

#### **Summary/Overall Capital Adequacy Ratio**

<b>Form Reference</b>	<b>Title</b>	<b>Instruction reference to the BSD Circular No. 08 of 2006</b>
1	Tier 1 Capital	As defined in Chapter 1, Section 1.3
1.6	Minority interest (for consolidated position reporting)	This section will be included while reporting capital adequacy on consolidated basis.
1.11	Any increase in equity capital resulting from a securitization transaction	Chapter 4 para 4.3.1.1 (b)
1.12	Investment in TFCs of other banks exceeding the prescribed limit	Appendix 1.1 para 3(iii)
1.13	Other Deductions	Section 1.1 Scope of application and Para 1.3.5 Capital Deductions
2.1	General provisions	Para 1.3.4 (b)
2.2	Revaluation Reserves	Para 1.3.4 (c)
2.4	Undisclosed Reserves	Para 1.3.4. (d)
2.5	Sub-ordinated Debt	Para 1.3.4 (e)
2.7	Other Deductions	Para 1.3.5 Capital Deductions
3.2	Eligible Tier 3 Capital	Para 1.3.4 (f) to (j)
4	Total Supplementary Capital eligible for capital adequacy ratio	Para 1.3.4

### **2. CAP 2**

#### **Other Deductions from Tier 1 and Tier 2 Capital**

<b>Form Reference</b>	<b>Title</b>	<b>Instruction reference to the BSD Circular No. 08 of 2006</b>
1.1	Investments in equity and other regulatory capital of majority owned securities or other financial subsidiaries not consolidated in the balance sheet	Section 1.1 Scope of Application
1.2	Significant minority interests in banking, securities and other financial entities	Section 1.1 Scope of Application

1.3	Equity holdings (majority or significant minority) in an insurance subsidiary	Section 1.1 Scope of Application
1.4	Significant minority and majority investments in commercial entities	Section 1.1 Scope of Application
1.5	Securitization exposure subject of deduction	Para 4.3.1.1 (a)
1.7	Total Deductions	Para 1.3.5 Capital Deductions

### 3. CR 1

#### Summary - Risk Weighted Amount for Credit Risk

Summary of the calculations at CR 2 to CR 4

### 4. CR 2: Risk Weighted Amount for Credit Risk – On Balance Sheet Exposures

Instructions in Chapter 2

Form Reference	Title	Instruction reference to the BSD Circular No. 08 of 2006
Column 1	External Rating	Section 2.2
Column 2	Risk Weight	Table 2.2, 0% risk weight is given for substitution effect of Credit Risk Mitigations, wherever applicable
Column 3	Original Exposure	Section 2.4
Column 4	Simple approach: Inflow Adjustments	Outflow adjustments in the risk weight category due to substitution effect after using CRM
Column 5	Simple approach: Outflow Adjustments	Inflow adjustments in the risk weight category due to substitution effect after using CRM
Column 7	Comprehensive: Adjusted Exposure after CRM	Para 2.6.3.2

### 5. CR 3: Off-Balance Sheet Exposures – Non Market Related

Instructions in Chapter 2

Form Reference	Title	Instruction reference to the BSD Circular No. 08 of 2006
Column 1	External Rating	Section 2.2
Column 2	Risk Weight	Table 2.2, 0% risk weight is given for substitution effect of Credit Risk Mitigations, wherever applicable
Column 3	Original Exposure	Section 2.4
Column 5	Simple approach: Inflow Adjustments	Outflow adjustments in the risk weight category due to substitution effect after using CRM
Column 6	Simple approach: Outflow Adjustments	Inflow adjustments in the risk weight category due to substitution effect after using CRM
Column 8	Comprehensive: Adjusted Exposure after CRM	Para 2.6.3.2

**6. CR 4**

**Off-Balance Sheet Exposures – Market Related**

Main Reference: Section 2.5

Table would be expanded according to the maturity of the contracts and respective credit conversion factors.

<b>Form Reference</b>	<b>Title</b>	<b>Instruction reference to the BSD Circular No. 08 of 2006</b>
A	Items	Section 2.5
Column 1	Current Credit Exposure	Para 2.5.2.1
Column 2	Notional Principal	Para 2.5.2.1
Column 3	Effective Notional Principal	Para 2.5.2.1
Column 4	Add on/Conversion Factor	Add-on Factor for Current exposure method Table 2.5 Credit Conversion factor for original Exposure method Table 2.6
Column 5	Potential Future Credit Exposure	Column 3 X Column 4
Column 6	Credit Equivalent Amount	For current Exposure method Column 1+ Column 5 For original Exposure method Column 2 X Column 4
Column 7	Adjusted Exposure after CRM	Adjusted exposure after taking into account the effect of credit risk mitigations as provided in Section 2.6
Column 8	Risk Weight	Table 2.2
Column 9	Risk Weighted Amount	Column 7 X Column 8

**7. MR 1**

**Risk Weighted Amount for Market Risk -Summary**

Summary of the calculations at MR 2 to MR 6

**8. MR 2**

**Reference: Chapter 5 of the Circular**

**Debt Securities and other Debt related Derivatives -Specific Risk capital charge for issuer Risk**

<b>Form Reference</b>	<b>Title</b>	<b>Instruction reference to the BSD Circular No. 08 of 2006</b>
A	Categories	Para 5.3.1.1

*All references below are to the BSD Circular No. 08 of 2006*

**9. MR 3.1**

**Debt Securities, Debt Derivatives and other interest rate Derivatives –Capital Charge for General Market Risk (for institutions using Maturity Method)**

Section 5.3.1.2

Maturity method: time-bands and weights Table 5.1

*Note: Separate forms should be used for each currency*

10. **MR 3.2**  
**Debt Securities, Debt Derivatives and other interest rate Derivatives –Capital Charge for General Market Risk** (for institutions using Duration Method)  
Section 5.3.1.2.2  
*Note: Separate forms should be used for each currency*
11. **MR 4**  
**Capital Charge for Equity Position Risk**  
Section 5.3.2
12. **MR 5**  
**Capital Charge for Foreign Exchange Risk**  
Section 5.3.3
13. **MR 6**  
**Capital Charge for Options Risk**  
Section 5.3.4
14. **OR 1**  
**Risk Weighted Amount for Operational Risk**  
Chapter 6