

**ANNEX XVIII - Disclosure of the use of credit risk mitigation techniques**

**Table UK CRC – Qualitative disclosure requirements related to CRM techniques.  
Flexible table**

Institutions shall apply the instructions provided below in this Annex in order to complete table UK CRC as presented in Annex XVII to this Implementing Regulation, in application of points (a) to (e) of Article 453 of CRR. For the purposes of this Annex, references to the CRR should be interpreted to include a reference to the relevant CRR rule, where appropriate.

Row reference	Legal reference and instructions	
	Explanation	
(a)	Point (a) of Article 453 CRR	When disclosing information on their netting policies and use of netting in accordance with point (a) of Article 453 CRR, institutions shall provide a clear description of CRM policies and processes concerning on-balance-sheet, off-balance-sheet netting and master netting agreements. They shall also indicate to what extent on-balance-sheet, off-balance-sheet netting and master netting agreements have been used and their importance regarding credit risk management. Institutions could especially mention details about the techniques in use as well as the positions covered by on-balance-sheet netting agreements and the financial instruments included in the master netting agreements. Furthermore, the conditions necessary to assure effectiveness of these techniques and the controls in place for legal risk could also be described.
(b)	Point (b) of Article 453 CRR	As part of their disclosures on the core features of their policies and processes for eligible collateral valuation and management in accordance with point (b) of Article 453 CRR, institutions shall disclose: <ul style="list-style-type: none"> <li>- the basis for the assessment and evaluation of the pledged collateral including assessment of legal certainty of CRM techniques;</li> <li>- type of valuation (market value, mortgage lending value, other types of values);</li> <li>- to what extent the calculated value of collateral is reduced by a haircut;</li> <li>- the process, frequency and methods in place to monitor the value of mortgage collateral and other physical collateral.</li> </ul> Additionally, institutions could also disclose if there is a system of credit exposure limits in place and the impact of accepted collateral in the quantification of those limits.
(c)	Point (c) of Article 453 CRR	When describing the collateral taken in accordance with point (c) of Article 453 CRR, institutions shall provide a detailed description of the main types of collateral accepted to mitigate credit risk, by type of exposures.

(d)	Point (d) of Article 453 CRR	The description of the main types of guarantors and counterparties in credit derivatives and their creditworthiness to be disclosed in accordance with point (d) of Article 453 CRR shall cover credit derivatives used for the purposes of reducing capital requirements, excluding those used as part of synthetic securitisation structures. Institutions could also include description of the methods used to recognise the effects of the guarantees or credit derivatives provided by the main types of guarantors and counterparties.
(e)	Point (e) of Article 453 CRR	When disclosing information about market or credit risk concentrations within CRM taken in accordance with point (e) of Article 453 CRR, institutions shall provide an analysis of any concentration that arises due to CRM measures and may prevent CRM instruments from being effective. Concentrations in the scope of those disclosures could include concentrations by type of instrument used as collateral, entity (concentration by guarantor type and credit derivative providers), sector, geographical area, currency, rating or other factors that potentially impact the value of the protection and thereby reduce this protection.

**Template UK CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques. Fixed template.**

Institutions shall apply the instructions provided below in this Annex in order to complete template UK CR3 as presented in Annex XVII to this rule, in application of point (f) of Article 453 CRR.

This template covers all CRM techniques recognised under the applicable accounting framework regardless of whether these techniques are recognised under CRR, including, but not only, all types of collateral, financial guarantees and credit derivatives used for all secured exposures, irrespective of whether the standardised approach or the IRB approach is used for the calculation of risk weighted exposure amount (RWEA).

Institutions shall supplement the template with a narrative commentary to explain any significant changes over the disclosure period and the key drivers of such changes.

Column reference	Legal references and instructions
	Explanation
a	<p>Unsecured carrying amount:</p> <p>The carrying amount of exposures (net of allowances/impairments) that do not benefit from any CRM technique, regardless of whether this technique is recognised under CRR. In particular, it refers to exposures for which neither collateral was pledged nor financial guarantee were received. The unsecured part of a partially secured or partially guaranteed exposure shall not be included.</p>
b	<p>Secured carrying amount:</p> <p>Carrying amount of exposures that have at least one CRM technique (collateral, financial guarantees, credit derivatives) associated with them. In case the value of collateral, financial guarantees and credit derivatives securing an exposure exceeds the carrying amount of that exposure, only the</p>

	<p>values up to the carrying amount of that exposure are included. In case the carrying amount of an exposure exceeds the value of collateral, financial guarantees and credit derivatives securing that exposure, the full carrying amount of that exposure should be included.</p> <p>For the purpose of the following columns c, d and e, the allocation of the carrying amount of multi-secured exposures to their different CRM techniques is made by order of priority, starting with the CRM technique expected to be called first in the event of non-payment, and within the limits of the carrying amount of the secured exposures. Any part of exposure shall be included in only one of the columns c, d or e.</p>
c	<p>Of which secured by collateral:</p> <p>This is a subset of column b and represents the carrying amount of exposures (net of allowances/impairments) or parts of exposures secured by collateral. In case an exposure is secured by collateral and other CRM technique(s) expected to be called beforehand in the event of non-payment, the carrying amount of the exposure secured by collateral is the remaining share of the exposure after consideration of the shares of the exposures already secured by other mitigation techniques, up to the carrying amount of that exposure.</p>
d	<p>Of which secured by financial guarantees:</p> <p>This is a subset of column b and represents the carrying amount of exposures (net of allowances/impairments) or parts of exposures secured by guarantees. In case an exposure is secured by guarantees and other CRM techniques expected to be called beforehand in the event of non-payment, the carrying amount of the exposure secured by guarantees is the remaining part of the exposure after consideration of the shares of the exposure already secured by other mitigation techniques, up to the carrying amount of that exposure.</p>
e	<p>Of which secured by credit derivatives:</p> <p>This is a subset of column d (financial guarantees) and represents the carrying amount of exposures (net of allowances/impairments) or parts of exposures secured by credit derivatives. In case an exposure is secured by credit derivatives and other CRM techniques expected to be called beforehand in the event of non-payment, the carrying amount of the exposure secured by credit derivatives is the remaining share of the exposure after consideration of the shares of the exposure already secured by other mitigation techniques, up to the carrying amount of that exposure.</p>

Row reference	Legal references and instructions
	Explanation
1	<p><b><u>Loans and advances</u></b></p> <p>'Loans and advances' are debt instruments held by the institutions that are not securities; this item includes 'loans' in accordance with Regulation (EU) 1071/2013</p>

	("ECB BSI Regulation") <sup>1</sup> as well as advances that cannot be classified as 'loans' in accordance with the ECB BSI Regulation, as defined in paragraph 32 of Part 1 of Annex V to PRA Rulebook, Reporting (CRR) Part, Part 6.
2	<b><u>Debt securities</u></b> Debt securities are debt instruments held by the institution issued as securities that are not loans in accordance with the ECB BSI Regulation, as defined in paragraph 31 of Part 1 of Annex V to PRA Rulebook, Reporting (CRR) Part, Part 6.
3	<b><u>Total</u></b> Sum of rows 1 and 2
4	<b><u>Of which non-performing exposures</u></b> Non-performing exposures in accordance with Article 47a CRR.
5	<b><u>Of which defaulted</u></b> Defaulted exposures in accordance with Article 178 CRR.

<sup>1</sup> REGULATION (EU) No 1071/2013 OF THE EUROPEAN CENTRAL BANK of 24 September 2013 concerning the balance sheet of the monetary financial institutions sector (recast) (ECB/2013/33) ((OJ L 297, 7.11.2013, p. 1)