



MODULE 7

Guidance to completing the Individual Capital Guidance module of BSL/2

Glossary

The following abbreviations are used within the document:

AIRB	-	A dvanced I nternal R ating B ased approach to credit risk
AMA	-	A dvanced M easurement A pproach to operational risk
ASA	-	A lternative S tandardised A pproach to operational risk
BIA	-	B asic I ndicator A pproach to operational risk
FIRB	-	F oundation I nternal R ating B ased approach to credit risk
ICAAP	-	I ndividual C apital A dequacy A ssessment P rocess
ICG	-	I ndividual C apital G uidance
RAR	-	R isk A sset R atio
RWA	-	R isk- W eighted A sset/ A mount
SAC	-	S tandardised A pproach to C redit risk
SAM	-	S tandardised A pproach to M arket risk
SSA	-	S implified S tandardised A pproach to credit risk
TSA	-	T he S tandardised A pproach to operational risk

RISK ASSET RATIO CALCULATION

- 1.1 Module 7, Individual Capital Guidance (“ICG”) is intended to show the Commission that a bank has adequate financial resources to meet the risks to which it is exposed.
- 1.2 This sheet derives the total Pillar 1 risk weighted asset requirement from the output of the appropriate modules for credit, operational, settlement and market risk and calculates the Pillar 1 Regulatory capital requirement. A Pillar 2 capital add-on may then be added as agreed with the bank as part of the ICAAP process. The sheet compares the total Pillar 1 and 2 regulatory capital requirement to the actual Tier 1 and Tier 2 capital derived in Module 6 (Capital) to calculate the excess capital position.
- 1.3

Detailed guidance

Item	Description	Guidance
A	Credit Risk	
A.1	Credit Risk - RWA Equivalent: SSA	If a bank adopts the SSA for credit risk the figure is automatically completed from the total RWA figure input in Module 2.
A.2	Credit Risk - RWA Equivalent: SAC	If a bank adopts the SAC for credit risk the figure is automatically completed from the total RWA figure input in Module 1.
A.3	Credit Risk - RWA Equivalent: FIRB	If the bank adopts the FIRB approach for credit risk then record the total RWA calculated for the bank using that approach.
A.4	Credit Risk - RWA Equivalent: AIRB	If the bank adopts the AIRB approach for credit risk then record the total RWA calculated for the bank using that approach.
	TOTAL CREDIT RISK RWA	Calculated by the sheet, being the sum of A.1 to A.4.
B	Operational Risk	
B.1	Operational Risk - RWA Equivalent: BIA	If a bank adopts the BIA for operational risk the figure is automatically completed from the total “RWA Equivalent” figure input in the BIA sheet of Module 3.

Item	Description	Guidance
B.2	Operational Risk - RWA Equivalent: TSA	If a bank adopts TSA for operational risk the figure is automatically completed from the total "RWA Equivalent" figure input in the TSA sheet of Module 3.
B.3	Operational Risk - RWA Equivalent: ASA	If a bank adopts the ASA approach for operational risk the figure is automatically completed from the total "RWA Equivalent" figure input in the ASA sheet of Module 3.
B.4	Operational Risk - RWA Equivalent: AMA	If the bank adopts the AMA approach for operational risk then record the total RWA equivalent calculated for the bank using that approach.
	TOTAL OPERATIONAL RISK RWA	Calculated by the sheet, being the sum of B.1 to B.4.
C	Market Risk in the Banking Book	
C.1	Market Risk - RWA Equivalent - SAM: FX & Gold	This figure is automatically completed from the total "Risk Weighted Asset Equivalent" figure input in the "foreign currency exposure" sheet of Module 4.
C.2	Market Risk - RWA Equivalent - SAM: Commodities	This figure is automatically completed from the total "Risk Weighted Asset Equivalent" figure input in the "commodities" sheet of Module 4.
	TOTAL BANKING BOOK MARKET RISK RWA	Calculated by the sheet, being the sum of C.1 and C.2.
D	TOTAL SETTLEMENT RISK RWA	This figure is automatically completed from the total "Risk Weighted Asset Equivalent" figure input in the Module 5.
E	Total Pillar 1 RWA	Automatically completed, this figure is the total Pillar 1 RWA for Credit, Operational, Market and Settlement Risk.
F	ICG calculations	
F.1	Pillar 1 Capital Requirement	Automatically completed, this is 8% of E Total Pillar 1 RWA.

Item	Description	Guidance
F.2	Pillar 2 Capital add-on	Minimum Pillar 2 add-on as set out in the ICG. This is completed by the banks, the minimum for which is shown in the next cell as a reminder. A warning message will appear below it if the input Pillar 2 add-on is less than as set out in the ICG.
F.3	Total Regulatory Capital Requirement	The sum of the Pillar and Pillar 2 add-ons, F.1 plus F.2

G	ICG Ratios	
G.1	Calculated Risk Asset Ratio	Calculated automatically, this calculates the Risk Asset ratio and a warning appears if less than G.2
G.2	Set Individual Capital Guidance Risk Asset Ratio	This is set automatically by the Commission as outlined in the ICG.
H.1	Adjusted Capital Base (Tiers 1 & 2)	Actual Tiers 1 and 2 capital from the Capital sheet in Module 6.
H.2	Surplus Capital	Automatically calculates the excess capital held, H.1 minus F.3