GUIDELINES ON IRB ADOPTION

SUPERVISORY PERMISSION AND ROLLOUT PARAMETERS
Appendix B
Illustrative Diagrams

- The following diagrams set out the interaction of the guidelines in 4 hypothetical scenarios

- Key:
  - CA: Current CAR computation rules
  - SA: Standardised Approach
  - CA/SA: Option of either CA or SA
  - IRB: Internal Ratings-based Approach
  - n%: percentage of banking book credit risk capital requirements, excluding equity holdings exempted on materiality
Rollout Scenario 1

Adopt F-IRB end-06

IRB = 60%, Exclusions from IRB under SA < 15%
CA/SA: pre-transition

IRB = 85%, Exclusions from IRB under SA < 15%

End-06
Capital Floor: 95% of CA

End-07
Capital Floor: 90% of CA

End-08
Capital Floor: 80% of CA

End-09

End-10
Rollout Scenario 2

Adopt F-/A-IRB end-07

- **End-06**
  - CA 100%
  - Or SA 100% with Ops Risk & Pillar 2

- **End-07**
  - IRB = 60%, Exclusions from IRB under SA < 15%, CA/SA: pre-transition

- **End-08**
  - IRB = 85%, Exclusions from IRB under SA < 15%

- **End-09**
  - Capital Floor: 90% of CA

- **End-10**
  - Capital Floor: 80% of CA
Rollout Scenario 3

Adopt F-/A-IRB end-08

- **End-06**: SA 100% with Ops Risk & Pillar 2
- **End-07**: IRB = 60%
- **End-08**: SA: pre-transition
- **End-09**: IRB = 85%, Exclusions from IRB under SA < 15%
- **End-10**: Capital Floor based on SA

Operations Research & Capital Floor based on SA
Rollout Scenario 4

Adopt F-/A-IRB post-08

- **End-06**: SA 100% with Ops Risk & Pillar 2
- **End-07**: IRB = 60% SA: pre-transition
- **End-Y**: IRB = 85%, Exclusions from IRB under SA < 15%
- **End-Y+1**: Capital Floor based on SA
- **End-Y+2**: Capital Floor based on SA