

# CONSULTATION PAPER

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## Proposals for the Implementation of Basel II in Singapore - Phase 4

MAS

Monetary Authority of Singapore

## **PREFACE**

In June 2004, the Basel Committee on Banking Supervision ("BCBS") issued its report on "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" (commonly known as Basel II).

Following three earlier consultation papers on Basel II implementation in Singapore, this paper represents the fourth consultation phase and includes proposals for public disclosure requirements for banks under Pillar 3 of the new framework.

MAS invites comments from Singapore-incorporated banks and other interested parties on these proposals. Please note that any comments received may be made public unless confidentiality is specifically requested. Electronic submission is encouraged.

The public consultation period ends on **29 December 2006**. Please direct comments to:

Prudential Policy Department  
Monetary Authority of Singapore  
10 Shenton Way, MAS Building  
Singapore 079117  
Fax : (65) 62203973  
Email : [policy@mas.gov.sg](mailto:policy@mas.gov.sg)

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**DRAFT TEXT OF MAS NOTICE TO BANKS  
6XX:  
RISK-BASED CAPITAL ADEQUACY  
REQUIREMENTS FOR BANKS  
INCORPORATED IN SINGAPORE**

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## **PART XII – PUBLIC DISCLOSURE REQUIREMENTS**

### **Division 1: Introduction**

12.1.1 The purpose of the requirements in this Part is to ensure that minimum public disclosures are made available to market participants to assist in forming an opinion on the risk profile and capital adequacy of a Reporting Bank.

12.1.2 Unless otherwise defined in this Part, the definitions in Annex 2A of Part II shall apply.

### **Division 2: General Requirements**

#### **Sub-division 1: Scope of Application**

12.2.1 This Part shall apply to a Reporting Bank at the Group level, in accordance with paragraph 3.1(b) of Part III unless stated otherwise.

12.2.2 A Reporting Bank need not comply with the requirements in this Part if it is a subsidiary of another Reporting Bank or Financial Holding Company incorporated in Singapore that is subject to the requirements of this Part.

#### **Sub-division 2: Frequency of disclosures**

12.2.3 Any disclosure required under this Part shall be made on a semi-annual basis, subject to the following exceptions:

- (a) Disclosures required under paragraph 12.3.1 and items that are marked as qualitative disclosures in Division 3 of this Part shall be disclosed on an annual basis if there are no changes; and
- (b) Item (g) in Table 12-3 shall be provided on a quarterly basis.

#### **Sub-division 3: Location and form of disclosures**

12.2.4 Subject to paragraph 12.2.5, a Reporting Bank shall disclose the information required under paragraph 12.3.1 and all other items in Division 3 of this Part in its Annual Report and periodic financial statements.

12.2.5 A Reporting Bank may disclose the items marked as quantitative disclosures in Tables 12-5 to 12-14 in Division 3 of this Part in an appropriate medium or location other than its Annual Report and periodic financial statements.

12.2.6 A Reporting Bank shall provide in its Annual Report and periodic financial statements clear references to the location of all disclosures required under this Part.

12.2.7 A Reporting Bank may exercise its discretion in determining the form of the disclosures required in this Part, and may choose to use graphical and other representations where appropriate.

#### **Sub-division 4: Omissions**

12.2.8 A Reporting Bank may omit certain disclosures in this Part if:

- (a) the omitted item is not material, in accordance with the concept of materiality under the Accounting Standards, or
- (b) the omitted item is proprietary or confidential in nature and would seriously prejudice the position of the Reporting Bank.

12.2.9 A Reporting Bank that omits an item that is marked as a quantitative disclosure in Division 3 of this Part on the basis of paragraph 12.2.8(b) shall disclose general qualitative information about the subject matter of the requirement, together with the reason for the omission.

#### **Sub-division 5: Disclosure Policy**

12.2.10 A Reporting Bank shall have in place a formal disclosure policy approved by the board of directors which sets out the Reporting Bank's approach for determining which disclosures it will make, and the internal controls over the disclosure process.

12.2.11 A Reporting Bank shall ensure that appropriate and independent verification, whether internal or external, is performed in relation to all disclosure items required under this Part, and take all reasonable steps to secure their accuracy and correctness.

12.2.12 To the extent that any of the disclosures required in this Part are substantially similar to those required of the Reporting Bank in accordance with applicable Accounting Standards, the Reporting Bank may rely on the provision of such accounting disclosures in order to meet the requirements of this Part.

## Division 3: Specific Disclosure Requirements

### Sub-division 1: Introduction

12.3.1 For the purposes of Sub-division 2 of Division 3 of this Part, a Reporting Bank shall describe its risk management objectives and policies for each risk area identified in Tables 12-1 to 12-14<sup>1</sup>, including:

- (a) its strategies and processes;
- (b) the structure and organisation of the relevant risk management function;
- (c) the scope and nature of risk reporting and measurement systems; and
- (d) policies for hedging and mitigating risk, and processes for monitoring the continuing effectiveness of such policies.

12.3.2 Unless otherwise stated a bank shall, when disclosing any item in Tables 12-1 to 12-14 that refers to the '*Corporate*' exposures under the IRBA approach to credit risk, include each of the following asset sub-classes:

- (a) Corporate;
- (b) Corporate Small Business;
- (c) Specialised Lending;
- (d) HVCRE; and
- (e) Purchased receivables as indicated in paragraphs 7.4.18(a) and (b) of Part VII.

12.3.3 Unless otherwise stated, a bank shall, when disclosing an item in Tables 12-1 to 12-14 that refers to '*Other Retail*' exposures under the IRBA approach to credit risk, include each of the following asset sub-classes:

- (a) Other retail; and
- (b) Purchased receivables as indicated in paragraph 7.4.18(c) of Part VII.

12.3.4 For the purposes of Tables 12-4 to 12-8, the value of an '*exposure*' or a "*credit exposure*" refers to:

- (a) E, or where applicable E\*, for items that refer to the standardised approach to credit risk;

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<sup>1</sup> Including but not limited to credit risk, market risk, operational risk, interest rate risk in the banking book.

- (b) EAD, or where applicable EAD\*, for items that relate to IRBA; and
- (c) the gross accounting exposure for items (b)-(h) in Table 12-4.

12.3.5 For the purposes of Table 12-13, 'equities' shall have the meaning attributed to an equity investment in accordance with the Accounting Standards, with the exception of item (f) of Table 12-13 to which the definition of "equity investments" in Division 5 of Part VII shall apply.

### Sub-division 2: Scope of Application

12.3.6 A Reporting Bank shall disclose the items set out in the Table 12-1 as applicable.

Table 12-1: Scope of Application

Qualitative Disclosures	(a)	In accordance with paragraphs 12.2.1 and 12.2.2, the name of the Reporting Bank or Financial Holding Company incorporated in Singapore to which this Part applies.
	(b)	A description of differences in the basis of consolidation for regulatory purposes compared to that required in accordance with Accounting Standards, together with a brief description of the entities within the banking group: <ul style="list-style-type: none"> <li>(i) that are fully consolidated;</li> <li>(ii) that are consolidated on a pro-rata basis;</li> <li>(iii) that are equity-accounted;</li> <li>(iv) that are deducted from eligible Tier 1 and Upper Tier 2 capital;</li> <li>(v) from which surplus capital is recognised, if any; and</li> <li>(vi) that are neither consolidated nor deducted.</li> </ul>
	(c)	Any restrictions or impediments on transfer of funds or regulatory capital within the banking group.

### Sub-division 3: Capital

12.3.7 A Reporting Bank shall disclose the items set out in Table 12-2 and Table 12-3 as applicable in accordance with Part VI.

Table 12-2: Capital Structure

Qualitative Disclosures	(a)	A description of the terms and conditions of the main features of all capital instruments included within Eligible Total Capital, particularly in relation to Innovative Tier 1 Capital, and other complex or hybrid capital instruments.
Quantitative	(b)	Elements of Eligible Tier 1 Capital as follows:

Disclosures		<ul style="list-style-type: none"> <li>(i) paid-up ordinary share capital;</li> <li>(ii) disclosed reserves;</li> <li>(iii) paid-up non-cumulative preference shares;</li> <li>(iv) minority interests;</li> <li>(v) Innovative Tier 1 capital instruments;</li> <li>(vi) any other instruments;</li> <li>(vii) deductions of goodwill, intangible assets and deferred tax assets; and</li> <li>(viii) any other regulatory deductions from Tier 1 Capital.</li> </ul>
	(c)	The total amount of Upper Tier 2 Capital subject to limit.
	(d)	Deductions made from Upper Tier 2 Capital subject to limit.
	(e)	Total eligible capital.

Table 12-3: Capital Adequacy

Qualitative Disclosures	(a)	A description of the approach to assessing the adequacy of its capital to support current and future activities.
Quantitative Disclosures	(b)	<p>Credit risk RWAs (excluding equity RWAs that are subject to the IRBA):</p> <ul style="list-style-type: none"> <li>(i) for each asset sub-class subject to SA(CR);</li> <li>(ii) for each of the following asset sub-classes subject to IRBA: <ul style="list-style-type: none"> <li>(A) Corporate, Sovereign and Bank;</li> <li>(B) Residential mortgage;</li> <li>(C) Qualifying revolving retail<sup>2</sup>; and</li> <li>(D) Other retail;</li> </ul> </li> <li>(iii) Securitisation exposures.</li> </ul>
	(c)	<p>Equity RWAs that are subject to the IRBA, as applicable:</p> <ul style="list-style-type: none"> <li>(i) Equity portfolios subject to simple risk weight method;</li> <li>(ii) Equities in the banking book under the internal models method; and</li> <li>(iii) Equity portfolios subject to PD/LGD approaches.</li> </ul>
	(d)	<p>Market RWAs calculated under:</p> <ul style="list-style-type: none"> <li>(i) SA(MR); and/or</li> </ul>

<sup>2</sup> A Reporting Bank may combine the QRRE and Other Retail asset sub-classes if either is insignificant in size relative to total credit exposures, and the risk profile of each asset sub-class is sufficiently similar such that separate disclosure would not assist in understanding the risk profile of the retail business of the Reporting Bank.



	(ii)	IMA, where appropriate.
	(e)	Operational RWAs calculated under the following approaches as applicable:  (i) BIA; (ii) SA(OR); (iii) AMA.
	(f)	Total RWAs and minimum capital requirements at the group level.
	(g)	Total CAR and Tier 1 CAR at the group level.
	(h)	Total CAR and Tier 1 CAR for each significant banking subsidiary <sup>3</sup> .

#### Sub-division 4: Credit Risk

12.3.8 A Reporting Bank shall disclose the items set out in Tables 12-4 to 12-9 as applicable in accordance with Part VII.

Table 12-4: Credit risk – general disclosures<sup>4</sup>

Qualitative Disclosures	(a)	A description of the Reporting Bank's policies in relation to:  (i) past due and impaired loans in accordance with applicable Accounting Standards; (ii) assessment of the level of individual and collective impairment provisions in accordance with applicable Accounting Standards; (iii) credit risk management; and (iv) for a Reporting Bank that has partly, but not fully adopted IRBA, the nature of the exposures within each asset sub-class that is subject to SA(CR), F-IRBA, and A-IRBA, and the intentions and timing for migrating exposures to the relevant IRBA approach.
Quantitative	(b)	Total gross credit exposures, and average gross credit

<sup>3</sup> A Reporting Bank shall provide disclosures in relation to a significant subsidiary on a solo basis, but may choose to disclose such information on a sub-consolidated basis providing that capital adequacy requirements are imposed on this basis and that an explanatory note to this effect is provided by the Reporting Bank. In the case of a significant overseas subsidiary, the required disclosures may be made on the basis of the capital adequacy rules that are applied to the subsidiary in the overseas jurisdiction, provided that this is disclosed in an explanatory note that includes a description of the basis of the calculation and the approaches applied to each major risk type in the overseas jurisdiction.

<sup>4</sup> For the avoidance of doubt, Table 12-4 does not apply to equities or securitisation exposures.

Disclosures		exposures over the reporting period broken down by major types of credit exposure.
	(c)	Geographic distribution of credit exposures, broken down in significant areas by major types of credit exposure.
	(d)	Industry or counterparty-type distribution of credit exposures, broken down by major types of credit exposure.
	(e)	Residual contractual maturity breakdown by major types of credit exposure.
	(f)	By major industry or counterparty-type: <ul style="list-style-type: none"> <li>(i) Amount of classified loans and past due loans under MAS 612, provided separately;</li> <li>(ii) Individual and collective impairment provisions; and</li> <li>(iii) Charges for individual impairment provisions and charge-offs during the period.</li> </ul>
	(g)	Amount of classified loans and past due loans under MAS 612, provided separately, broken down by significant geographic areas including, if practical, the amounts of individual and collective impairment provisions related to each geographical area.
	(h)	Reconciliation of changes in the provisions for loan impairment.
	(i)	For each asset sub-class, the amount of credit exposures subject to SA(CR), F-IRBA, and A-IRBA.

Table 12-5: Credit risk - disclosures for asset sub-classes subject to the standardised approach and supervisory risk weights in the IRBA

Qualitative Disclosures	(a)	For each asset sub-class under SA(CR): <ul style="list-style-type: none"> <li>(i) The name of each ECAI used by the Reporting Bank, and the reasons for any changes in the use of an ECAI;</li> <li>(ii) The types of exposure for which each ECAI is used;</li> <li>(iii) A description of the process used to transfer public issue ratings onto comparable assets in the banking book; and</li> <li>(iv) The alignment of the alphanumerical scale of each ECAI used by the Reporting Bank with relevant risk weights<sup>5</sup>.</li> </ul>
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<sup>5</sup> Reference to publicly disclosed supervisory mapping and its location may be made as an alternative to the reproduction of the alignment data.

Quantitative Disclosures	(b)	<p>An analysis by risk-weights (including deducted exposures) for:</p> <ul style="list-style-type: none"> <li>(i) Total rated and unrated credit exposures subject to SA(CR); and</li> <li>(ii) The aggregate of IRBA credit exposures, including equity investments, which are subject to supervisory slotting.</li> </ul>
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Table 12-6: Credit risk - disclosures for IRBA asset sub-classes

Qualitative Disclosures	(a)	<p>A description of the:</p> <ul style="list-style-type: none"> <li>(i) Structure of internal rating systems and the relationship between internal and external ratings;</li> <li>(ii) Use of internal estimates other than for IRBA capital purposes;</li> <li>(iii) Process for managing and recognising credit risk mitigation; and</li> <li>(iv) Control mechanisms for the rating system including independence, accountability, and rating system review.</li> </ul>
	(b)	<p>A description of the internal ratings process, provided separately for five distinct asset sub-classes:</p> <ul style="list-style-type: none"> <li>(i) Corporate, sovereign and bank;</li> <li>(ii) Equity investments (subject to the PD/LGD method);</li> <li>(iii) Residential mortgages;</li> <li>(iv) Qualifying revolving retail<sup>6</sup>; and</li> <li>(v) Other retail.</li> </ul> <p>The description shall include, for each asset sub-class:</p> <ul style="list-style-type: none"> <li>(vi) The types of exposure included within the asset sub-class;</li> <li>(vii) The definitions, methods and data for estimation and validation of PD, (and for exposures under IRBA) LGD and EAD, including assumptions employed in the derivation of these variables<sup>7</sup>; and</li> </ul>

<sup>6</sup> A Reporting Bank may combine the QRRE and Other Retail asset sub-class if either is insignificant in size relative to total credit exposures, and the risk profile of each asset sub-class is sufficiently similar such that separate disclosure would not assist in understanding the risk profile of the retail business of the Reporting Bank.

<sup>7</sup> A Reporting Bank shall provide a broad overview of the model approach, describing definitions of the variables, and methods for estimating and validating those variables set out

		(viii) Description of permitted material deviations from the reference definition of default in Annex 7W, including the broad segments of the asset sub-class(es) affected by such deviations.
Quantitative disclosures: risk assessment	(c)	<p>For each asset sub-class as defined in (b) above, the following items shall be disclosed across a sufficient number of PD grades (including default) to allow for a meaningful differentiation of credit risk<sup>8</sup>:</p> <ul style="list-style-type: none"> <li>(i) Total exposures;</li> <li>(ii) Exposure-weighted average PD;</li> <li>(iii) Exposure-weighted average risk-weight; and</li> <li>(iv) Exposure-weighted average LGD (expressed as a percentage) for asset sub-classes subject to the advanced IRBA.</li> </ul> <p>For each retail asset sub-class (as defined in (b) above) the above items may be disclosed on a pool basis.</p> <p>For exposures subject to the advanced IRBA, the amount of undrawn commitments for each asset sub-class, together with an exposure-weighted average EAD for each asset sub-class.</p>
Quantitative disclosures: historical results	(d)	Actual losses (e.g. charge-offs and specific impairment provisions) in the preceding period for each asset sub-class (as defined above) and how this differs from past experience. A description of the factors that impacted on the loss experience in the preceding period – for example, has the bank experienced higher than average default rates, or higher than average LGDs and EADs.
	(e)	For periods ending on or after 31 December 2009, loss estimates against actual outcomes over a longer period of time. At a minimum, this shall include information on estimates of losses against actual losses in each asset sub-class (as defined above) over a period sufficient to allow for a meaningful assessment of the performance of the internal rating processes for each portfolio. Where appropriate and particularly if material differences have arisen, a Reporting Bank shall also provide an analysis of PD and, in relation to exposures on the advanced IRBA, LGD and EAD outcomes against the estimates of the Reporting Bank.

in the quantitative risk disclosures below. This should be done for each of the five asset sub-classes. Banks should draw out any significant differences in approach to estimating these variables within each asset sub-class.

<sup>8</sup> The PD, LGD and EAD should reflect the effects of collateral, netting and guarantees/credit derivatives as applicable.

Table 12-7: Credit risk mitigation - disclosures for SA(CR) and IRBA<sup>9</sup>

Qualitative Disclosures	(a)	<p>A description of the following elements in addition to the general disclosures set out in sub-paragraph 12.3.1(d) with respect to credit risk mitigation:</p> <ul style="list-style-type: none"> <li>(i) its policies and processes for, and an indication of the extent to which the bank makes use of, on- and off-balance sheet netting;</li> <li>(ii) its policies and processes for collateral valuation and management;</li> <li>(iii) the main types of collateral taken by the bank;</li> <li>(iv) the main types of guarantor/credit derivative counterparty and their creditworthiness;</li> <li>(v) information about (market or credit) risk concentrations within the mitigation taken; and</li> <li>(vi) an indication of the IRBA risk components that are affected by the recognition of credit risk mitigation, according to the approaches used by the Reporting Bank.</li> </ul>
Quantitative Disclosures	(b)	<p>For each separately disclosed credit risk asset sub-class under SA(CR) and/or F-IRBA, the extent to which credit exposures are covered by:</p> <ul style="list-style-type: none"> <li>(i) eligible financial collateral; and</li> <li>(ii) other eligible IRB collateral;</li> </ul> <p>after the application of haircuts.</p>
	(c)	<p>For each separately disclosed asset sub-class under the SA(CR) or IRBA, the amount by which credit exposures have been reduced by guarantees/credit derivatives.</p>

Table 12-8: General disclosure for exposures related to counterparty credit risk ("CCR")

Qualitative Disclosures	(a)	<p>A description of the following elements in relation to its exposures related to derivatives and CCR:</p> <ul style="list-style-type: none"> <li>(i) The methodology used to assign economic capital and credit limits for counterparty credit exposures;</li> <li>(ii) The policies for securing collateral and establishing credit reserves;</li> <li>(iii) Policies with respect to wrong-way risk</li> </ul>
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<sup>9</sup> Credit derivatives that are treated as part of synthetic securitisation structures shall be excluded from the credit risk mitigation disclosures and included within those relating to securitisation in Table 12-9.

		<p>exposures; and</p> <p>(iv) The impact of the amount of collateral the bank would have to provide given a credit rating downgrade.</p>
Quantitative Disclosures	(b)	<p>Gross positive fair value of contracts, netting benefits, netted current credit exposure, amount and type of collateral held, and the net derivatives credit exposure.</p> <p>EAD or exposure amounts calculated under the IMM, SM or CEM approach, whichever is applicable.</p> <p>The notional value of credit derivative hedges, and the distribution of current credit exposure by types of credit exposure.</p>
	(c)	<p>Credit derivative transactions that create exposures to CCR (notional value), segregated between use for the institution's own credit portfolio, as well as in its intermediation activities, including the distribution of the credit derivatives products used, analysed further in terms of protection bought and sold within each product group.</p>
	(d)	<p>The estimate of alpha if the bank has received supervisory approval to estimate alpha.</p>

Table 12-9: Securitisation: disclosure for standardised and IRB approaches

Qualitative Disclosures	(a)	<p>A description of the following items in relation to the disclosure requirement set out in paragraph 12.3.1 with respect to securitisation (including synthetic securitisation):</p> <p>(i) the Reporting Bank's objectives in relation to its securitisation activities, including the extent to which these activities transfer credit risk of the underlying securitized exposures away from the bank to other entities;</p> <p>(ii) the roles played by the bank in the securitisation process and an indication of the extent of the bank's involvement in each of them; and</p> <p>(iii) the regulatory capital approaches that are applicable to the bank's securitisation activities in accordance with Part VII.</p>
	(b)	<p>Summary of the Reporting Bank's accounting policies for securitisation activities, including:</p> <p>(i) whether the transactions are treated as sales or financings;</p> <p>(ii) recognition of gain on sale;</p> <p>(iii) key assumptions for valuing retained interests,</p>

		<p>including any significant changes since the last reporting period and the impact of such changes; and</p> <p>(iv) treatment of synthetic securitisations if this is not covered by other accounting policies (e.g. on derivatives).</p>
	(c)	Names of ECAIs used for securitisations and the types of securitisation exposure for which each agency is used.
Quantitative Disclosures	(d)	The total outstanding assets securitised by the bank which meet the operational requirements in Part VII, Division 6, broken down in terms of traditional and synthetic, and by asset type.
	(e)	<p>For assets securitised by the bank which meet the operational requirements in Division 6 of Part VII:</p> <p>(i) the amount securitised assets that are classified or past due under MAS 612; and</p> <p>(ii) losses recognised by the bank during the current period</p> <p>broken down by asset type.</p>
	(f)	Aggregate amount of securitisation exposures retained or purchased broken down by exposure type.
	(g)	Aggregate amount of securitisation exposures retained or purchased and the associated IRBA capital charges for these exposures broken down into a meaningful number of risk weight bands. Exposures that have been deducted entirely from Tier 1 capital, credit enhancing interest-only strips deducted from Total Capital, and other exposures deducted from total capital shall be disclosed separately by type of underlying asset.
	(h)	<p>For securitisations subject to the early amortisation treatment, the following items by underlying asset type for securitised facilities:</p> <p>(i) the aggregate drawn exposures attributed to the seller's and investors' interests;</p> <p>(ii) the aggregate IRBA capital charges incurred by the bank against its retained (i.e. the seller's) shares of the drawn balances and undrawn lines; and</p> <p>(iii) the aggregate IRBA capital charges incurred by the bank against the investor's shares of drawn balances and undrawn lines.</p>
	(i)	For a Reporting Bank that applies the standardised

		approach to securitisation, the items in (g) and (h) above using the capital charges under the SA(SE) approach.
	(j)	Summary of current year's securitisation activity, including the amount of assets securitised by exposure type, and the recognised gain or loss on sale by asset type.

### Sub-division 5: Market Risk

12.3.9 A Reporting Bank shall disclose the items set out in Table 12-10 and Table 12-11 as applicable in accordance with Part VIII.

Table 12-10: Market risk - disclosures for banks using the standardised approach

Qualitative Disclosures	(a)	A description of risk management objectives and policies as set out in paragraph 12.3.1 for market risk including the portfolios covered by the standardised approach in Part VIII.
Quantitative Disclosures	(b)	The capital requirements for the following risks computed under the standardized approach as set out in Division 2 of part VIII: <ul style="list-style-type: none"> <li>(i) interest rate risk;</li> <li>(ii) equity position risk;</li> <li>(iii) foreign exchange risk; and</li> <li>(iv) commodity risk.</li> </ul>

Table 12-11: Market risk - disclosures for banks using the internal models approach (IMA) for trading portfolios

Qualitative Disclosures	(a)	A description of the extent of compliance with the "Prudent valuation guidance" for positions held in the trading book (Annex 8M), and the valuation methodologies employed by the Reporting Bank, in addition to the general disclosures set out in paragraph 12.3.1 on market risk.
	(b)	A description of the soundness standards on which the bank's internal capital adequacy assessment is based, as well as the methodologies used to achieve a capital adequacy assessment that is consistent with those soundness standards.
	(c)	For each portfolio covered by the IMA: <ul style="list-style-type: none"> <li>(i) the characteristics of the models used;</li> <li>(ii) a description of stress testing applied to the portfolio; and</li> <li>(iii) a description of the approach used for backtesting/validating the accuracy and</li> </ul>



		consistency of the internal models and modelling processes.
	(d)	The scope of acceptance by the supervisor.
Quantitative Disclosures	(e)	For trading portfolios under the IMA: <ul style="list-style-type: none"> <li>(i) The high, mean and low VAR values over the reporting period and period-end; and;</li> <li>(ii) A comparison of VAR estimates with actual gains/losses experienced by the bank, with analysis of important 'outliers' in backtest results.</li> </ul>

### Sub-division 6: Operational Risk

12.3.10 A Reporting Bank shall disclose the items set out in Table 12-12 as applicable in accordance with Part IX.

Table 12-12: Operational risk

Qualitative Disclosures	(a)	A description of the regulatory approach or approaches to the calculation of operational risk capital requirements, in addition to the general disclosures set out in paragraph 12.3.1 in relation to the management of operational risk.
	(b)	A description of the AMA, if used by the Reporting Bank, including a discussion of relevant internal and external factors considered in the bank's measurement approach, and in the case of partial use, the scope and coverage of the different approaches used.
	(c)	For a Reporting Bank that uses the AMA for calculating operational risk capital requirements, a description of any use of insurance for the purpose of mitigating operational risk.

### Sub-division 7: Equities

12.3.11 A Reporting Bank shall disclose the items set out in Table 12-13 as applicable in accordance with Part VII.

Table 12-13: Equities - disclosures for banking book positions

Qualitative Disclosures	(a)	A description of the following items in addition to the general disclosures set out in paragraph 12.3.1 with respect to equity risk: <ul style="list-style-type: none"> <li>(i) differentiation between holdings on which capital gains are expected and those taken under other</li> </ul>
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		<p>objectives including for relationship and strategic reasons; and;</p> <p>(ii) its policies in relation to the valuation and accounting treatment of equity holdings in the banking book. This should cover the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices.</p>
Quantitative Disclosures	(b)	The value of equities held in the balance sheet of the Reporting Bank, and the fair value of those investments if different.
	(c)	<p>The types and nature of equities, including the amount that can be classified as:</p> <p>(i) Publicly traded; and;</p> <p>(ii) Privately held.</p>
	(d)	The realised gains (losses) arising from sales and liquidations of equities in the reporting period.
	(e)	Total unrealized gains (losses) that have not been reflected in the income statement of the Reporting Bank, and the extent to which these have been included in Tier 1 capital or Tier 2 capital.
	(f)	<p>An analysis of equity investments analysed in terms of appropriate equity groupings and exposure-weighted average risk weights, consistent with the methodology employed by the Reporting Bank. Equity investments that are deducted shall also be disclosed in an accompanying note.</p> <p>An explanation of any material difference between the value of equities calculated in accordance with the relevant Accounting Standards and the regulatory definition of equity investments as defined in Part VII.</p>

### Sub-division 8: Interest Rate Risk in the Banking Book

12.3.12 A Reporting Bank shall disclose the items set out in Table 12-14.

Table 12-14: Interest rate risk in the banking book ("IRRBB")

Qualitative Disclosures	(a)	A description of the key assumptions made by the Reporting Bank, including assumptions regarding loan prepayments and behaviour of non-maturity deposits, and frequency of IRRBB measurement in addition to the general disclosures set out in paragraph 12.3.1 in respect of IRRBB.
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Quantitative Disclosures	(b)	The changes in earnings or economic value (or relevant measure used by the Reporting Bank) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency if appropriate.



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