<u>Explanatory notes on proposed revisions to CAR return for BCAR 2025</u>

Part IIIb: Risk-weighted Amount for Credit Risk (STC Approach)

Division	Item	Remarks
A1[1]	**Risk-weighted Amount by Exposure Class (Other than Cryptoassets)**	
	12i	**Class XIIC (Insignificant and Significant LAC Investments)** This new item is for reporting internal LAC that is not subject to risk-weighting.
A2[2]	**Risk-weighted Amount for Cryptoasset Exposures**	
	1. Group 1a cryptoasset exposures	
	1a(i) to 1a(x)(D)	These items capture group 1a cryptoasset exposures that are assigned to the banking book, which should be reported based on the traditional asset(s) underlying the group 1a cryptoassets to which the exposures relate. For example, if the cryptoasset is a tokenised version of corporate debt securities, the exposure should be reported in item 1a(iv).
	1b(i) to (ii)	If there is any exposure (whether it is a cryptoasset exposure or not) secured by recognized collateral that is a group 1a cryptoasset and the collateral is taken into account by using the simple approach, the credit protection covered portion of the exposure should be reported in these items.
	2. Group 1b cryptoasset exposures[3]	
	2a(i) to 2a(xi)	These items are for reporting the AI's exposure to the credit risk of the reference assets underlying group 1b cryptoassets.
	2a(xi)	If a group 1b cryptoasset references a pool of traditional assets that fall within different exposure classes (e.g. sovereign exposures and cash), the exposure to the credit risk of the pool should be reported in this item.
	2b(i) to 2b(v)(D)	These items are for reporting the AI's exposure to the credit risk of the redeemers in respect of the cryptoassets underlying the AI's group 1b cryptoasset exposures.
	2c(i) to 2d(v)(D)	If the cryptoasset underlying the AI's group 1b cryptoasset exposure is structured in such a way that only a subset of holders ("member holders") is allowed to transact directly with the redeemer to redeem the cryptoasset—

[1] Existing Division A will be renamed to Division A1.

[2] Division A2 is a new division added for reporting cryptoasset exposures subject to the STC approach.

[3] Item 2 in Division A2 captures an AI's group 1b cryptoasset exposures assigned to the AI's banking book and the RWA of each such exposure comprises RWAs calculated for the risks identified by the AI that could result in a credit loss (e.g. credit risk to the redeemer).

Division	**Item**	**Remarks**
		(a) item 2c is applicable to the AI if it is a member holder or exposed to the same or similar risk as a member holder. (b) item 2d is applicable to the AI if it is a non-member holder or exposed to the same or similar risk as a non-member holder.
	2e	If there is any risk arising from the AI's group 1b cryptoasset exposure that does not fall within items 2a to 2d, the exposure to such a risk should be reported in this item.
	3. Top 5 Group 1 cryptoassets by RWA	
	3a to 3e	The RWAs of all the AI's group 1 cryptoasset exposures that relate to the same group 1 cryptoasset should be aggregated, and the top 5 group 1 cryptoassets in terms of RWA are reported in these items, with the largest one reported in item 3a, the second largest one in item 3b and so on.
B Part I	**Off-balance Sheet Exposures other than Default Risk Exposures in respect of Derivative Contracts and SFTs**	
	1 to 11d (except for 10a)	New columns B13 and B14 are for reporting credit equivalent amounts of off-balance sheet group 1 cryptoasset exposures (e.g. forward asset purchases of group 1 cryptoassets).
B Part IIA[4]	**Default Risk Exposures in respect of Derivative Contracts (SA-CCR approach): Bilateral Trades (including centrally cleared trades that are treated as bilateral trades)**	
	12f(i) to 12f(iii); 13f(i) to 13f(iii); & 14f(i) to 14f(iii)	These are new items for reporting default risk exposures arising from derivative contracts on group 1a, 1b or 2a cryptoassets calculated by using the SA-CCR approach.
B Part IIB	**Default Risk Exposures in respect of group 2b Cryptoasset Derivative Contracts: Bilateral Trades (including centrally cleared trades that are treated as bilateral trades)**	
	16	This new item captures default risk exposures arising from derivative contracts on group 2b cryptoassets calculated by using the conservative method set out in the new Part 12 to be added to the Banking (Capital) Rules.

[4] Existing Part II will be renamed to Part IIA.

Division	Item	Remarks
B Part III	**Default Risk Exposures in respect of SFTs (Non-IMM(CCR) Approach): Bilateral Trades (including centrally cleared trades that are treated as bilateral trades)**	
	17d(i) to 17d(iii)	Item 17d is for reporting the amounts captured in items 17a and 17b that are related to group 1a, group 1b or group 2 cryptoassets delivered by the AI under SFTs to counterparties.
	17e	Item 17e is for reporting the amounts captured under items 17a and 17b that are related to group 1a cryptoassets received by the AI under SFTs from counterparties. Since cryptoassets other than group 1a cryptoassets are not recognized collateral, no reporting is required for these cryptoassets received by the AI from counterparties.
B Part IV	**Default Risk Exposures (IMM(CCR) Approach): Bilateral Trades (including centrally cleared trades that are treated as bilateral trades)**	
	20a(i) & 20a(ii); 21a(i) & 21a(ii); & 22a(i) & 22a(ii)	These new items are for reporting derivative contracts on group 1a or group 1b cryptoassets.