

Explanatory notes on proposed revisions to CAR return for cryptoasset standards and other miscellaneous amendments

Part IIIc: Risk-weighted Amount for Credit Risk (IRB Approach)¹

Division	Item	Remarks
B	Risk-weighted Amount by IRB Class / Subclass (Form IRB_CSB)	
	Columns 2 to 19	Internal LAC that is not subject to risk-weighting ² should be reported as a separate portfolio type “ <i>Internal LAC exempted under BCR48(4)</i> ” within the respective IRB subclass. For these exposures, the actual values must be reported for columns 6(i), 6(ii), 7, 8 and 19. Since these exposures are exempted from risk-weighting, the value for columns 15 to 17 must be zero. Report either the actual value or “0” for columns 3 to 5, 9 to 14 and 18. For column 2, report “D” for defaulted exposures, and “N” otherwise.
B	Memorandum Items for Cryptoasset Exposures (Form IRB_CRYPTO)³	
	1. Group 1a cryptoasset exposures	
	1a(i) to 1a(v)	These items capture group 1a cryptoasset exposures that are assigned to the banking book, which should be reported by the IRB subclass of the underlying traditional asset(s) to which the exposures relate. For example, if the cryptoasset is a tokenised version of debt securities issued by a large corporate and the IRB subclass “large corporate” is selected for item 1a(i), the exposure should be reported in that item. Additional rows can be added if more than 5 IRB subclasses are required to be reported.
	1b(i) and 1b(ii)	Information for Group 1a cryptoasset exposures in default is reported separately in item 1(b)(i). While item 1(b)(ii) collects supplemental information for the relevant exposures to financial institutions that are subject to the asset value correlation multiplier of 1.25.
	2. Group 1b cryptoasset exposures	

¹ This opportunity is taken to remove all footnotes from the Part IIIc templates and relocate them, where necessary, to the relevant paragraphs of the completion instructions to ensure that the instructions are complete.

² See the proposed sections 48(4) and 202C(3) to be added to the Banking (Capital) Rules.

³ IRB_CRYPTO is a new Form added for reporting the risk-weighted amount and credit risk components associated with cryptoasset exposures as memorandum items to complement other parts in Division B (e.g. Forms IRB_CSB, IRB_CIS, etc.) where these exposures are reported by IRB classes and subclasses.

Division	Item	Remarks
	2a(i) to 2a(v)	<p>These items are for reporting the AI’s exposure to the credit risk of the reference assets underlying group 1b cryptoassets by the IRB subclass of the underlying traditional asset(s) to which the exposures relate.</p> <p>If a group 1b cryptoasset references a pool of traditional assets that fall within different IRB subclasses (e.g. sovereign exposures and cash items), the category “Pool of reference assets” (which is an additional option provided in the “drop-down list”) should be selected for the respective reporting item irrespective of the different IRB subclasses currently in place.</p>
	2b(i) to 2b(v)	<p>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.</p>
	2c(i) to 2d(v)	<p>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—</p> <p>(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.</p> <p>(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.</p>
	2e	<p>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.</p>
<p>3. Top 5 Group 1 cryptoasset by RWA</p>		
	3a to 3e	<p>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.</p>
<p>4. Total recognized collateral that is group 1a cryptoasset</p>		
	4	<p>If there is any exposure (whether it is a cryptoasset exposure or not) secured by recognized collateral that is a group 1a cryptoasset, the total current market value of the relevant recognized collateral and the EAD covered by them should be reported in this item.</p>

Division	Item	Remarks
D	Off-Balance Sheet Exposures (Other Than Default Risk Exposures in respect of Derivative Contracts and SFTs) under IRB Approach (Form IRB_OBSND)	
	1 to 15	New table (C) is to report the credit equivalent amounts of off-balance sheet group 1 cryptoasset exposures (e.g. forward asset purchases of group 1 cryptoassets).
E	Default Risk Exposures in respect of Derivative Contracts (SA-CCR): Bilateral trades (including centrally cleared trades that are treated as bilateral trades) (Form IRB_OBSD_SACCR)	
	6 to 8	These new items are for reporting default risk exposures arising from derivative contracts on group 1a, 1b or 2a cryptoassets calculated by using the SA-CCR approach.
	9	This new item is for reporting 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.
	Table (B2)	A new table is added for reporting the portion of the amounts arising from group 2b cryptoasset derivative contracts that are related to offsetting transactions or CCP-related transactions with clearing members or clearing clients.
E	Default Risk Exposures in respect of SFTs (non-IMM(CCR) approach): Bilateral trades (including centrally cleared trades that are treated as bilateral trades) (Form IRB_OBSD_SFT_N_IMM)	
	3(b)	Item 3(b) is for reporting the amounts captured in items 1 and 2 that are related to group 1a, group 1b or group 2 cryptoassets delivered by the AI under SFTs to counterparties.
	3(c)	Item 3(c) is for reporting the amounts captured in items 1 and 2 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.

Division	Item	Remarks
E		Default Risk Exposures (IMM(CCR) Approach): Bilateral trades (including centrally cleared trades that are treated as bilateral trades) (Form IRB_OBSD_IMM)⁴
	(1c), (2c) and (3c)	These items are for reporting the portion of the notional amounts and default risk exposures arising from group 1a cryptoasset derivative contracts and group 1b cryptoasset derivative contracts.

⁴ The order of the existing items 2 to 4 and 6 to 7 are rearranged for ease of use.