FREQUENTLY-ASKED QUESTIONS
BANKING CAPITAL ADEQUACY FRAMEWORK
GUIDELINES ON CAPITAL COMPONENTS AND GUIDELINES ON RISK WEIGHTED ASSETS

A. GUIDELINES ON CAPITAL COMPONENTS

A.1 Capital Components Reporting Template

Excerpt of Worksheet - C.1(Summary):

Ref para	Item	Amount (USD)	
6.2 (b), (c)	**Total Credit RWA**		
	Credit RWA		
	Credit RWA (Standardised Approach)		A
	Total Market RWA		
	Market RWA		B
	Total Operational RWA		C
	Large exposure risk RWA for equity holdings		D
	Total RWA		

Source:
Capital Components Reporting Template, Worksheet: C.1(Summary)

1. In arriving to the "Total RWA", how are the above items i.e. *"Credit RWA (A)", "Market RWA (B)", "Operational RWA (C)" or "Large Exposure Risk RWA (D)"* be filled-in if no data is available?

Should there be no data available for the items A, B, C and D, please insert "0" (i.e. zero) instead for the respective fields. In addition, the items A, B and C should make reference to the cell items as specified under the following worksheets:

No.	Item	Reporting Forms	Worksheets	Cells
1.	A - Credit RWA	Credit Risk reporting form	G.3(RWA.CR)	Cell G22
2.	B - Market RWA	Market Risk reporting form	G.1-RWCR	Cell I17
3.	C - Operational RWA	Operational Risk reporting form	OR.1(CC&RWA)	Cell E21

B. GUIDELINES ON RISK WEIGHTED ASSETS

B.1 Credit Risk Reporting Template

Excerpt of Worksheet – SA-CR. 2(CRM.1) and SA-CR.3(CRM.2):

Exposure Class	Exposures before CRM	Amount Eligible for On-balance Sheet Netting	Total Exposure a Netting
	(1)	(2)	(3)=(1)-(2)
Performing Exposures			
Sovereigns/Central Banks			
Public Service Entities			
Banks, Development Financial Institutions & MDBs			
Insurance Cos, Securities Firms & Fund Managers			
Corporates			
Regulatory Retail			
Residential Mortgages			
Higher Risk Assets			
Other Assets			
Specialised Financing/Investment			

... | V.1 | V.2 | G.3(RWA.CR) | SA-CR.1(CE) | **SA-CR.2(CRM.1)** | **SA-CR.3(CRM.2)** | SA-CR.4(RWA)

Source:
Credit Risk Reporting Template, Worksheet: SA-CR.2(CRM.1) & SA-CR.3(CRM.2)

2. How should the credit risk mitigation (CRM) under the credit risk reporting be computed?

Under Part B.2.5 Credit Risk Mitigation of the Guidelines on Risk Weighted Assets, Labuan banks may opt for either the "Simple Approach" or "Comprehensive Approach" for the collateralised transactions in the CRM computation. Therefore, the CRM is to be computed as follows:

CRM Approach	Worksheet
Simple Approach	SA-CR.2(CRM.1)
Comprehensive Approach	SA-CR.3(CRM.2)

Excerpt of Worksheet – SA-CR.4(RWA):

Supervisory Risk Weights	Sovereigns & Central Banks		PSEs		Banks, MDBs and FDIs	
	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset
Performing Exposures						
0%		-		-		-
10%		-		-		-
20%		-		-		-
35%		-		-		-
50%		-		-		-
75%		-		-		-
90%		-		-		-
100%		-		-		-
110%		-		-		-
125%		-		-		-
135%		-		-		-
150%		-		-		-
270%		-		-		-
350%		-		-		-
400%		-		-		-
625%		-		-		-
937.5%		-		-		-

Source:
Credit Risk Reporting Template, Worksheet: SA-CR.4(RWA)

3. In computing the risk weights for credit exposures relating to cash deposited with other banking institutions which is repayable on demand without any stated maturity, which risk weight category should this be classified under?

Under standardised approach, the risk weight for cash or deposit placements with other banking institutions which is repayable on demand without any stated maturity will be based on the credit rating of the banking institutions in which the cash is being deposited into as highlighted below.

Banking institutions

Rating Category	S&P	Moody's	Fitch	R&I	RAM Rating Services Berhad (RAM)	Malaysian Rating Corporation Berhad (MARC)	Risk weight	Risk weight (original maturity of 6 months or less)[134]	Risk weight (original maturity of 3 months or less)[135]
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA-	AAA to AA3	AAA to AA-	20%	20%	20%
2	A+ to A-	A1 to A3	A+ to A-	A+ to A-	A1 to A3	A+ to A-	50%	20%	
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB+ to BBB-	BBB1 to BBB3	BBB+ to BBB-	50%	20%	
4	BB+ to B-	Ba1 to B3	BB+ to B-	BB+ to B-	BB1 to B3	BB+ to B-	100%	50%	
5	CCC+ to D	Caa1 to C	CCC+ to D	CCC+ to C	C1 to D	C+ to D	150%	150%	
Unrated							50%	20%	

B.2 Market Risk Reporting Template

Excerpt of Worksheet – SA-FX.2:

Standardised Market Risk Approach for Foreign Exchange Risk
(including gold and silver positions)
Form SA-FX.2: Conventional Banking Operations Capital Requirement

Institution: ---Select Name of Banking Institution--- **As at:** ---Select Repor

Exposure in Individual Currencies

Currency[1]	Net On Balance Sheet Posltion[2]	Net Forward Position[3]	Guarantees[4]	Net Delta Weighted FX Option Postion[5]	Other Items[6]	Net Long Position	or	Net Short Position
	A	B	C	D	E	F		G
AUD - Australian Dollar						0		0
BND - Brunei Dollar						0		0
CAD - Canadian Dollar						0		0
CHF - Swiss Franc						0		0
CNY - Chinese Yuan Renminbi						0		0
EUR - Euro						0		0
GBP - Pound Sterling						0		0
HKD - Hong Kong Dollar						0		0
IDR - Indonesian Rupiah						0		0
INR - Indian Rupee						0		0
JPY - Japanese Yen						0		0
KHR - Cambodian Riel						0		0
KRW - Korean Won						0		0

Source
Market Risk Reporting Template, Worksheet: SA-FX.2

4. In computing the foreign exchange risk under the market risk reporting, given that the Labuan banks have Malaysian Ringgit (MYR) open position, should MYR be part of the foreign currency risk for the Labuan banks?

For Labuan banks, the requirement for data reporting is to be reported in US Dollars (USD) currency. In this regard, MYR shall be included as part of the foreign currency risk if the Labuan banks have MYR open position.

B.3 Operational Risk Reporting Template

Excerpt of Worksheet – OR.5(GI and LA Computation):

Gross Income Calculation for BIA

Data Items	Year 3				
	QUARTER 12	QUARTER 11	QUARTER 10	QUARTER 9	QUARTER 8
Interest Income					
less: Interest Expense					
Net Interest Income	0	0	0	0	0
Net Non-Interest Income					
Fees and commission income					
less: Fees and commission expenses					
	0	0	0	0	0

Source:
Operational Risk Reporting Template, Worksheet: OR.5(GI and LA Computation)

5. How should the gross income under the operational risk reporting be computed?

The gross income figures are categorised into 12 quarters and the recent annual gross income is calculated by aggregating the gross income of the last four financial quarters. The calculation of the annual gross income for the two years preceding the most recent year shall be computed in a similar manner. Kindly refer to table below for more clarity purposes.

Example 1 (for an existing Labuan bank which has been in operation)

Given that the reporting period is March 2018, the computation of gross income shall be as highlighted in blue below.

	Year 3		Year 2		Year 1	
Gross Income for financial quarter ending	Q12	Mar'18	Q8	Mar'17	Q4	Mar'16
	Q11	Dec'17	Q7	Dec'16	Q3	Dec'15
	Q10	Sep'17	Q6	Sep'16	Q2	Sep'15
	Q9	Jun'17	Q5	Jun'16	Q1	Jun'15
Total	$GI_3 = GI_{Q12} + GI_{Q11} + GI_{Q10} + GI_{Q9}$		$GI_2 = GI_{Q8} + GI_{Q7} + GI_{Q6} + GI_{Q5}$		$GI_1 = GI_{Q4} + GI_{Q3} + GI_{Q2} + GI_{Q1}$	

Example 2 (for a newly established Labuan bank with less than three years data)

The Labuan bank shall use any actual gross income earned to date for purpose of deriving the average gross income, while leaving the gross income for any remaining quarters as zero. For example, in the case where the Labuan bank is established in June 2016, the operational risk capital charge as at March 2018 is calculated as follows:

	Year 3		**Year 2**		**Year 1**	
Gross Income for financial quarter ending	Q12	Mar'18 (+10)	Q8	Mar'17 (+10)	Q4	Mar'16 (0)
	Q11	Dec'17 (+20)	Q7	Dec'16 (+10)	Q3	Dec'15 (0)
	Q10	Sep'17 (-10)	Q6	Sep'16 (+10)	Q2	Sep'15 (0)
	Q9	Jun'17 (+30)	Q5	Jun'16 (+10)	Q1	Jun'15 (0)
Total	GI_3 = 10 + 20 - 10 + 30 = 50		GI_2 = 10 + 10 + 10 + 10 = 40		GI_1 = 0 + 0 + 0 + 0 = 0	
OR capital charge	$\{\sum[(GI_3 \times \alpha) + (GI_2 \times \alpha)]\} / 2 = 6.75$					