# SREP questionnaire for investment firms

#  Block II

**File No:**

**Date:**

**Institution name:**

**Reference date:**

Internal capital calculation and liquidity

## General overview

1. **Which risks does the management deem to be material in its operation, and why?**

*Name not only the key risk categories (lending, operational, etc.), but rather detail which one, within those categories, you regard problematic for the operation of the institution. (When reckoning the potential risks you should take into consideration the provisions of Chapter V.2 Material Risks in the ICAAP-ILAAP-BMA manual published on the MNB’s website. The presentation should describe the content of identified risks and the justification for the classification of risks treated is irrelevant.*

1. **Present your risk management framework!**

*(Principles and areas – products, business lines, markets – of risk assumption; degree,, measurement, management, limitation of risk assumption; position of the risk management area within the organisation, its duties, relation with the management; regulations, reports, etc.)*

1. **Please detail the elements of the regulatory capital! Please prove the availability of the regulatory capital by account statements for 30 June 2020!**
2. **Which method do you use for the calculation of the internal capital requirement (Pillar 1, building block approach, other)? Has there been any change in the capital calculation methodology related to risk exposures in the past one year? If yes, please detail the reason for it.**
3. **For the purposes of verifying the calculation of the Company’s regulatory capital, please submit the following supplementary information – with reference to the general ledger data and the steps of the calculation – in relation to the COREP data supplies for the date of 30 June 2020:**
	* 1. **Please present – based on the individual lines of table 31A – which capital table the individual asset lines have been allocated to (deduction from regulatory capital, tables C\_07.00, C\_08.00) and the basis of the assets’ weighting.**
		2. **Please explain why the items on the assets side not taken into consideration in full during the calculation of the capital requirement, if any, have not been taken into account.**
		3. **Please detail the analytical deduction of the credit and counterparty risk exposure value (by indicating the basic data, calculation steps and partial results).**
		4. **Please support, based on the individual lines of table 32B, the “previous year” field of line C\_16.00.A010 governing the calculation of the operational risk.**
		5. **Please present the costs related to the authorised persons involved in the performance of investment services and supplementary investment services[[1]](#footnote-2) (including also the intermediaries and counterparties performing outsourced functions) for 2018, broken down by authorised persons.**
		6. **Please detail the analytical deduction of the market risk exposure value (by indicating the basic data, calculation steps and partial results).**
4. **If you provide investment loans, present the source of it. If the Company provides investment loans from its own liquid assets, please present the respective positions in detail. Furthermore, please present how this is taken into consideration when calculating the capital requirement.**
5. **Are there any factors (e.g. low risk environment, collateral quality) that the institution considered as elements reducing the capital requirement when calculating the amount of the internal capital requirement?**

*If yes, present those and justify the risk mitigating effect!*

1. **Please attach the list of the companies belonging to the Company’s direct and indirect interests, indicating the rate of the controlling/participating interest both as a percentage and an amount, the date of acquiring the controlling/participating interest, and the latest available audited annual accounts of the respective companies. Please also attach the documentation supporting the current book value of the holdings.**
2. **Please submit the methodology applied for the calculation of the participations’ capital requirement and the applied risk weights item by item, together with the regulation pertaining to the calculation and rating of the participations’ value.**
3. **Does the institution apply stress tests during the calculation of the internal capital requirement?**

*If yes, present them and the results of those!*

1. **Does the institution apply the results of the internal capital requirement calculation in other areas?**
*(e.g. risk management, pricing, impairment recognition). If yes, present the application of those!*
2. **Does the institution calculate CVA capital requirement?**

*If yes, please deduce the CVA calculation, and if the institution failed to calculate CVA capital requirement , the justification of that.*

## Business processes and capital

1. **How do you perform the rating of business partners? Based on what data and information do you determine their risk rating? How often is it revised?**
2. **What was the internal capital requirement calculated by the institution in total and by risks on 30 June 2020?**

*Please quantify and justify the potential discrepancies compared to the regulatory capital requirement. If you allocate no capital requirement to any of the risks (e.g. strategic risk, reputation risk), justify the exemption of the risks from the capital requirement. (Answer the question in the Excel Annex 2 / deduction of the internal capital calculation/)*

1. **Based on the institution’s current business and capital plans in what way will its capital requirement and the amount of available capital change in the next 2.5 years? In what way does the institution wish to increase the amount of available capital, if necessary?**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **30.06.2020\*** | **31.12.2020** | **31.12.2021** | **31.12.2022** |
| **Available own funds** |  |  |  |  |
| **Regulatory minimum capital requirement** |  |  |  |  |
| **Internal capital requirement (ICAAP)** |  |  |  |  |
| **Capital surplus/shortfall\*\*** |  |  |  |  |
| \* In the first column indicate the actual data, while in the last 3 columns indicate the plan figures |
| \*\* The higher of the regulatory minimum capital and the internal capital requirement, reduced by the available own funds |

1. **Submit your current business plan, updated with the impacts of known trends and circumstances (primarily the IPF and QKKA contributions, tightening legislative requirements, e.g.: stricter IT rules, audit procedures).**

## Liquidity

1. **Present your liquidity management methodology.**

*(Identification, measurement and monitoring of liquidity risks, cash flow monitoring, funding of investment loans, deferred financial and securities settlements and providing liquidity for them, presentation of credit lines and loan portfolios, etc.)*

1. **To what degree you draw on investment loans for the settlement of transactions? Specify the size of credit facility at each account-keeping institution as well as the average and maximum utilisation thereof in the past one year.**
2. **Did the institution have liquidity difficulties in the past 12 months, if yes, due to what reasons, and in what way and at what cost did it manage to address the problem?**

New capital requirement calculation – preliminary estimation

1. **The European Commission published its comprehensive package of proposals related to the review of the prudential framework for investment firms on 20 December 2017. This would place the regulation and capital requirement calculation of investment firms on completely new fundaments[[2]](#footnote-3). Please fill in Annex 2 to the questionnaire, which contains the data considered in the logic of the planned capital requirement calculation.**
1. Based on Article 34b(4) of Commission Regulation 2015/488/EU [↑](#footnote-ref-2)
2. https://ec.europa.eu/info/publications/171220-investment-firms-review\_en. [↑](#footnote-ref-3)