A quick manual to Basel IV and CRR III for standardised banks

Due to the **complexity** and **time-consuming nature** of the implementation process, concerns are already being raised about the abilities of banks to meet the new regulatory requirements. For EU Banks, the CRR III **binding deadline is in January 2025. For many non-EU countries, the deadlines are generally set to 2025 or 2026.**

How will banks be impacted?

More risk sensitive RWAs
The revised standardised method enhances risk sensitivity and changes the calculation methodology for several asset classes.

Phased-in regulatory compliance for Capital Requirements
Capital charges will be gradually phased-in during a five year transitional period.

New reporting duties
Current reporting duties are revised and new ESG, covered bonds, and shadow banking disclosures are added.

Stronger enforcement tools
The package provides stronger enforcement tools for supervisors overseeing EU banks.

How can PwC help you?

Impact study

Our team can conduct a comprehensive impact study in order to help you:

- Quantify the **impact of CRR III** on your bank
- Identify the **potential additional data required** for the new RWA calculation
- Identify **key impacted areas** and define **future capitalization strategies**

Implementation process

We can support you in end-to-end CRR III implementation by covering the following key aspects of the process:

Gap analysis
- Methodological
- Technological
- Data availability

Alignment of **internal policies** and **methodologies**

Implementation of a **parallel run** to systems and processes

Integration of the **new risk-weighting calculations** into the internal and external risk reports

Quality assurance

We can review the implementation of CRR III requirements in your systems, focussing on:

- Correct classification of exposure
- Correct assignment of risk weight
- Reperformance of SA-CR model in our own tool
- Optimisation of collateral allocation

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Key changes in the credit risk standardised approach

1 Enhanced sensitivity of Risk Weights

Applies to Unrated Institutions, Corporates, Retail, Equity, Residential & Commercial RE exposures, and Covered bonds.

2 External ratings & Due diligence

Importance of a bank's Due Diligence in challenging and validating external ratings (ECAIs).

3 Exposure value

New CCF buckets for off-balance sheet items. Minimum 10% CCF introduced.

4 Credit risk mitigation

Main changes concern eligibility of collateral, credit risk substitution, valuation and monitoring of immovable properties.

5 Exposure classes

Exposure classes for Specialised lending, Land Acquisition, development and construction (ADC), and Subordinated debt are introduced.

6 Exposure class "Items associated with particular high risk" removed

The exposure class is broken down into Subordinated debt and Equity classes.

Key changes in other risk areas

1 Credit valuation adjustment (CVA)

SA-CVA is replaced by Basic Approach and new Standardised approach and Simplified approaches are introduced.

2 Operational risk RWA calculation

New standardised approach (Business Indicator Component) is now mandatory to determine the operational risk for own fund requirements.

3 Market Risk

Clearer definition of the regulatory boundary between the Banking and Trading book and new calculation methods were introduced: ASA and AIMA.

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