21 February 2022

Regulatory and Supervisory Equivalence – Pre-screening questionnaire (STEP1)

Approach and main purpose of the questionnaire

The following questionnaire is aimed primarily at identifying whether all the main relevant elements that characterize the regulatory and supervisory framework currently in force in the EU are also present in the third country.

Due to the high-level approach of this pre-screening questionnaire, no references are made at this stage in terms of the EU main legislative texts.

Guidance to the compilation of the questionnaire

Given the nature of the questionnaire as a pre-screening exercise, most of the questions can be answered simply with a YES/NO, while others require a more qualitative feedback. In any case, since the purpose is to ascertain whether relevant prudential frameworks are also in force in the third country, leaving further investigation and analysis in a second stage, also the more qualitative questions should be answered in a focused and succinct way.

Local laws and provisions can be mentioned to support the answers, although at this stage of the assessment, the reference should be made to the main law/regulation/legislative text rather than to the specific articles.

Num	Question	Y/N	Comments
Regulatory Framework			
1	Has your jurisdiction already implemented Basel III standards (Y/N)? Please specify whether implementation of Basel framework is according to the initial standard (2010) or to the final one (2017)[1].		
1a	If not, is there a defined timeframe for implementing them?		

[1] Implementing Basel III in Europe | European Banking Authority (europa.eu)

2	In case Basel III has not been implemented, has your jurisdiction implemented Basel II standards (Y/N)?		
3	In case Basel II has not been implemented, has your jurisdiction implemented Basel I standards or any other prudential requirements?		
4	Has your jurisdiction already participated in regulatory and supervisory assessment programs (e.g. RCAP, FSAP)? (Y/N)		
4a	If yes, which was the outcome?		
5	Are there other prudential requirements (i.e. beyond the Basel standards) that you would like to point out?		
Scope of Application/Overview of types of institutions			
6	What types of institutions are subject to prudential regulation and supervision in your jurisdiction? *[Banks/ Investment firms/ insurance companies (name all that apply)]* Other (name the types of companies and please specify the treatment for financial holding companies).		
7	Which authority/ies is/are in charge of prudential regulation and/or supervision of these entities (Bank/Investment firms/insurance companies/ other)? If so, please name these bodies and the scope of regulation or supervision.		
8	Are the authorities responsible for regulation and/or supervision also in charge of granting and withdrawing the authorisations? (Y/N)		
9	Which is the regulatory authority (i.e. the authority in charge of drafting the laws/regulations on the financial		

	sector)? *(If there is more than one, please list all the authorities and the scope of their responsibilities in terms of law/regulation-making.)*		
10	As regards the application of the principle of proportionality, does your jurisdiction apply to these entities: - a categorisation approach (e.g. regulatory requirements vary according to the nature, size or complexity of the bank) or - a specific standard approach (e.g. all banks are subject to the same rules without prejudice of the existence of specific rules, derogations, exemptions etc…)?		
11	Are there any bank-like institutions (i.e. deposit-taking) in your jurisdiction that do not fall under Basel-like prudential regulation? (Y/N)		
11a	If yes, how many institutions like this operate in your jurisdiction and which percentage of the total banking assets do they represent?		
11b	If yes, are these entities active internationally / have international presence or relationships?		
Supervisory framework			
12	Are internal model approaches (e.g. IRB, IMA, AMA) allowed in your jurisdiction (Y/N)?		
12a	If yes, which authority grants permission to use an internal model?		
13	What is the level of prudential supervision (i.e. individual/consolidated/ both)?		

14	Is there an authority that has the power to impose prudential supervisory measures on the supervised entities (including capital and liquidity requirements, or administrative and financial penalties)? Which one?		
15	What are the initial capital requirements for credit institutions/ investment firms / holding companies in your jurisdiction?		
16	In the EU, competent authorities perform periodically a comprehensive review of the supervised entities to assess the level of risks and impose (if needed) additional capital requirements and/or qualitative measures so that the supervised entities are better prepared to face the risks they are exposed to. This process is called **Supervisory Review and Evaluation Process (SREP)**. Does your jurisdiction conduct a SREP to assess supervised entities and impose additional supervisory measures where necessary?		
17	In the EU, credit institutions and investment firms must perform themselves an evaluation and assess whether their level of capital is sufficient to face the risks they are exposed to. This process is called **Internal Capital Adequacy Assessment Process (ICAAP)**. Does your jurisdiction have a requirement for credit institutions/investment firms to carry out their own ICAAP? (Y/N)		
18	As part of the authorisation process, members in the governing bodies or in key functions of the entity are subject to an assessment by the supervisory authority. This assessment aims to ensure they are suitable for managing the entity. The assessment may include criteria relating to good repute, solvency, professional competence, etc.		

	Are similar assessments of the management and / or key function holders of entities under the application procedure conducted by your authority or any other authority? (Y/N)		
19	Are there specific requirements for banks / Investment firms / Holding Companies outside your jurisdiction to hold / Invest in local entities of your jurisdiction? (Y/N)		
Own funds			
20	What are the minimum requirements regarding regulatory capital ratios (CET 1, Tier 1, Total capital ratio) at individual and consolidated level?		
21	Quality of capital - are there criteria in your jurisdiction that must be met in order for an instrument to be considered CET 1 - (e.g. perpetuity of CET1)?		
22	What are the items included in each layer of own funds / capital (i.e. instruments, share premium, reserves, adjusted by deductions)?		
23	Do you perform any adjustments on the CET1 items recognised (i.e. deductions)? What deductions are allowed from CET 1 items?		
24	What are the regulatory approval mechanisms that apply when the supervised entities wish to reduce capital or take actions that would drag capital? (e.g. prior permission for own funds reduction, restrictions to distributions, etc).		
25	Are there requirements (or are planning to be introduced) in terms of additional loss absorption capacity?		
Credit risk and Securitisation			

26	Does your jurisdiction have own funds requirements for credit risk (Y/N)?		
	Approaches for measuring Credit Risk under Pillar 1 capital requirements		
27	Can the risk weight be assigned following the Standardised Approach (SA) (Y/N)?		
28	Are institutions allowed to determine risk weights on the basis of statistical methods - Internal Ratings-Based (IRB) Approach (Y/N)?		
29	Depending on the complexity, the European legislation distinguishes between the Foundation IRB Approach (under which institutions estimate only PD) and Advanced IRB (AIRB) Approach. Do your rules differentiate between FIRB and AIRB (Y/N)?		
	Rules for establishing exposure value		
30	Do you take into account net exposure after specific credit risk adjustments under SA (Y/N)?		
31	Do you apply percentages for off-balance sheet exposures (Y/N)? Do you apply percentages (credit conversion factor) for off-balance sheet exposures (Y/N)?		
33	Please provide the definition of default under SA and IRB approaches.		
	Credit Risk Mitigation		
33	Is Credit Risk Mitigation allowed in your jurisdiction (Y/N)?		
33a	If yes, which type (funded/unfunded)?		
34	Do you recognize personal guarantees as CRM techniques (Y/N)?		
35	Do you recognize collaterals as CRM techniques (Y/N)?		

36	Have you set up general principles for eligibility of the CRM techniques for their recognition in calculating capital requirements for credit risk (Y/N)?		
	Securitisation and risk transfer		
37	Are securitisation transactions allowed in your jurisdiction (Y/N)?		
37a	If yes, how are they treated from a prudential point of view?		
38	Do you differentiate between traditional and synthetic securitisation (Y/N)?		
39	Do you ensure sustainability of the significant risk transfer (SRT) throughout the lifetime of the transaction (Y/N)?		
40	Do you consider and penalise "implicit support" (Y/N)? *Please note that a bank provides implicit support to a securitisation when the bank provides support in excess of its predetermined contractual obligation.*		
41	Have you implemented a minimum risk retention requirement for securitisations to ensure that originators retain a stake in the viability of underlying exposures (Y/N)?		
Market risks and counterparty credit risk (CCR)			
42	Does your jurisdiction have own funds requirements for the following risks (Y/N):		
42a	- Market risks (Interest rate risk, equity position risk)		
42b	- Foreign exchange risk		
42c	- Option risk		
42d	- Commodity risk		
42e	- Settlement risk		

42f	- CVA risk		
43	Does your jurisdiction have own funds requirements for CCR (Y/N)?		
44	Are the CCR models as envisaged in Basel standards (SA-CRR and IMM) allowed?		
	Operational risk		
45	Does your regulation envisage own funds requirements for operational risk (Y/N)?		
46	Is the use of all three methods included in the Basel Capital Framework (BIA, Standardised method and AMA) allowed in your jurisdiction? (Y/N)		
	Liquidity risk		
47	Does your jurisdiction have liquidity requirements in place (Y/N)?		
47a	If yes, is liquidity risk addressed both in short and long term – i.e. do you have an LCR requirement and an NSFR requirement in your jurisdiction?		
	Capital buffers and macroprudential tools		
48	Are the requirements for capital buffers implemented in your jurisdiction to address financial stability risks (Y/N)?		
49	If yes, what kind of buffers do you require? Please see below (Y/N):		
49a	- Capital Conservation Buffer		
49b	- Countercyclical buffer		
49c	- D-SII/G-SII Buffer		
49d	- Systemic risk buffer		
50	Is your jurisdiction equipped with dedicated tools to mitigate the build-up		

	of excessive risks within the financial system (Y/N)?		
	Other requirements		
51	In order to avoid concentration, the EU has implemented the Large Exposures Regime, establishing a maximum limit of exposure that supervised entities can have towards a single client or a group of connected clients. Is there a Large Exposures regime in place in your jurisdiction (Y/N)?		
52	Have you set up limits to large exposures (Y/N)?		
53	Is there a concept of connected clients (Y/N)?		
54	Which is the level of application of the large exposure regime (consolidated, sub-consolidated or/and individual levels)?		
55	Does your jurisdiction impose a Leverage Ratio requirement on credit institutions (Y/N)? If yes, which is the relevant limit that banks have to comply with?		
56	Does your jurisdiction have reporting and disclosure requirements in place (Y/N)?		