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Annex 2 to Circular NBB_2024_12

Assessment of the CRR tables prepared by institutions that calculate their capital requirements for credit risk using the standardised approach

Scope of application

Credit institutions governed by Belgian law; central securities depositories, institutions providing support to central securities depositories and custodian banks governed by Belgian law; authorised and designated (mixed) financial holding companies governed by Belgian law.

Large stockbroking firms, investment holding companies and mixed financial holding companies governed by Belgian law included within the scope of supervision on a consolidated basis or review of the capitalisation test of a group of investment firms carried out by the National Bank of Belgium (hereinafter the "NBB").

Title of provisions	Description of provisions	Prior authorisation from the NBB	Role of the NBB	Role of the accredited statutory auditor
Definition of risk categories	Article 112 CRR[1] distinguishes between 17 different exposure classes, including “retail exposures” (which covers exposure to SMEs) that meet certain conditions (e.g. the total amount owed may not exceed EUR 1 million).	Not required	Institutions should refer to Article 501(2)(b) CRR for the definition of SME. In this respect, the NBB shall ensure that the definition of the various risk categories complies with the provisions of the CRR.	With regard specifically to retail exposures, the accredited statutory auditor shall verify that the institution has an adequate procedure to identify all retail clients and ensure consistent calculation and monitoring of the maximum exposure amount.
Breakdown of exposures by risk category	The institution must classify its exposures into the appropriate risk category.	Not required		The accredited statutory auditor shall ensure that the institution has a satisfactory procedure for the correct classification of all exposures into the classes listed in Article 112 CRR.
Breakdown of risk positions by credit rating	The CRR allows institutions to use external credit assessments to determine the risk weight of an exposure, taking into account the requirements and conditions set out in Articles 134 to 140 CRR.	Not required		This is a “mechanical” component of the calculation. The accredited statutory auditor is on the front line. The breakdown of risk positions by credit rating class (or risk weight) forms part of the auditor’s reporting. Furthermore, this implies that the accredited statutory auditor must examine

[1] Regulation (EU) No 575/2013

				whether the institution effectively designates credit rating agencies whose credit assessments it uses to determine the risk weight, whether it has a procedure to monitor the external credit assessments of counterparties it employs, and whether it has a procedure to correctly determine the appropriate credit quality step corresponding to the credit assessments used.
Calculation of the exposure value of balance sheet items	Pursuant to Article 111(1) CRR, the institution must determine the exposure value of its balance sheet items based on the accounting values remaining after specific credit risk adjustments, additional value adjustments in accordance with Articles 34 and 110 CRR, and other own funds reductions. The institution must also take the necessary steps to ensure that all exposures are taken into account.	Not required		This aspect is closely tied to accounting (in particular the reconciliation of inventories and risk positions), meaning the accredited statutory auditor is on the front line.
Calculation of the exposure value of off-balance sheet items and derivatives	Pursuant to Article 111(2) CRR, the institution must determine the exposure value of its off-balance sheet items using a conversion factor, based on the accounting values. The institution must also take	Not required		This aspect is tied to accounting (in particular the reconciliation of inventories and risk positions), meaning

	the necessary measures to ensure that all exposures are taken into account.			the accredited statutory auditor is on the front line.
Calculation of the exposure value of derivatives - use of netting	When calculating the exposure value of derivatives, the CRR allows novation and other netting agreements to be taken into account.	Required	As part of the prior authorisation process, the NBB checks whether the methodologies and systems are harmonised.	The role of the accredited statutory auditor is limited to confirming that the results of the models used are correct and complete. The accredited statutory auditor shall verify that the institution has an appropriate organisation in place with regard to the necessary inventories and legal documentation of the aforementioned contracts, which guarantee the accuracy of the calculation of the net exposure value.
Calculation of the exposure value of derivatives - use of internal models	The CRR allows the exposure value of derivatives to be calculated using internal models.	Required	As part of the prior authorisation process, the NBB checks whether the methodologies and systems are harmonised.	The role of the accredited statutory auditor is limited to verifying that the transactions concerned are indeed included in the calculation (consistency with the accounts). However, the accredited statutory auditor is not authorised to validate the models.

Recognition of financial collateral - simple method or comprehensive method	The institution may recognise financial collateral that meets certain quality criteria. A discount must be applied to the collateral depending on its quality (counterparty and rating to be specified) and maturity.	Not required	The only possible verification to be performed concerns compliance by the audited institution with the qualitative criteria.	The accredited statutory auditor shall at least ensure that the financial collateral exists, meets all requirements of the CRR, has been properly valued and that the method, as regards the mechanical aspects, has been correctly applied.
Recognition of financial collateral - internal model method or own haircut	The institution may establish its own discounts (haircuts) or apply an internal model.	Required	The methodology must be deemed sound by the NBB, which shall check whether the qualitative and quantitative criteria are met.	The accredited statutory auditor shall at least ensure that the financial collateral exists and has been properly valued. However, the accredited statutory auditor is not authorised to validate the internal model.