

Number	Date	Reference	Question	Answer
1447	05. Apr 19	Article 308b - Transitional measures Paragraph 12 - Transitional measure on the spread and concentration risk factors	<p>How to apply transitional measure on the spread risk module is quite clear as it is calculated on a per item basis (i.e. asset*risk factor = capital requirement). However, concentration risk is calculated per single name exposure (i.e. group of counterparties) and it is not clear how to apply transitional measure in such case.</p> <p>Could you explain the application of transitional measure in relation to concentration risk on the following example:</p> <p>Croatian insurance company is exposed to central government of Croatia. Following assets have been purchased (and issued by that central government):</p> <ul style="list-style-type: none"> - bond in HRK (denominated and funded in the currency of government therefore Article 187(3) of delegated Regulation applies and gi = 0%) - bond in EUR (denominated and funded in the currency of other Member State therefore Article 187(4) applies and concentration risk depends on the CQS, suppose gi = 21%) - bond in USD (no special treatment, suppose gi = 27%) <p>How the Conci (Article 183(2)) should be calculated in relation to Croatian central government? How this should be calculated in 2017, 2018, 2019 and 2020 when transitional measure is applied?</p>	<p>In the case of EU sovereign exposures denominated and funded in currencies of another Member State, Art. 308b (12) (b) of Directive 2009/138/EC provides that the standard parameters used in the calculation for the spread and concentration risk are to be reduced by 80% in 2018. For the market concentration risk the relevant standard parameter is the risk factor for market risk concentration gi as referred to in point (b) of Article 183(2) of Delegated Regulation (EU) 2015/35.</p> <p>Please note that Art. 187 (4) of that Regulation is applicable to exposures to non-EEA sovereigns denominated and funded in their domestic currency. For exposures to EEA sovereigns denominated and funded in a foreign currency, Art. 186 (1) of that Regulation applies (possibly in interaction with the transitional provision until 2020).</p>