

**RESOLUTION No. 172/2012 of the
FINANCIAL SUPERVISION AUTHORITY**

of 19 June 2012

**amending the resolution on the scope and detailed rules for determining capital
requirements for particular types of risk**

On the basis of Article 128 par. 6 pt. 1, 3-5 and 7 and of Article 141j of the Banking Law Act of 29 August 1997 (Journal of Laws of 2002 No. 72 item 665 as amended¹⁾), the following is adopted:

§ 1. In resolution No. 76/2010 of the Financial Supervision Authority of 10 March 2010 on the scope and detailed rules for determining capital requirements for particular types of risk (Official Journal of the PFSA No. 2 item 11 as amended²⁾) the following amendments are made:

1) in § 5, in par. 1, pt. 1 is now worded as follows:

“1) the sum of:

- a) market profit, as referred to in § 4 par. 1 - calculated cumulatively until the reporting date, reduced by known encumbrances, including dividends, within the scope in which it was not included in own funds or distributed in another way,
- b) a loss (with a negative sign) on all operations included in the banking portfolio, calculated cumulatively until the reporting date, except for losses on changes in exchange rates and prices of goods, within the scope in which it was not included in own funds or covered in another way,
- c) liabilities from subordinated loans obtained which meet the conditions stipulated in par. 2,

¹⁾(The amendments of the uniform text of that act were announced in Journal of Laws of 2002 No. 126 item 1070, No. 141 item 1178, No. 144 item 1208, No. 153 item 1271, No. 169 item 1385 and item 1387 and No. 241 item 2074, of 2003 No. 50 item 424, No. 60 item 535, No. 65 item 594, No. 228 item 2260 and No. 229 item 2276, of 2004 No. 64 item 594, No. 68 item 623, No. 91 item 870, No. 96 item 959, No. 121 item 1264, No. 146 item 1546 and No. 173 item 1808, of 2005 No. 83 item 719, No. 85 item 727, No. 167 item 1398 and No. 183 item 1538, of 2006 No. 104 item 708, No. 157 item 1119, No. 190 item 1401 and No. 245 item 1775, of 2007 No. 42 item 272 and No. 112 item 769, of 2008 No. 171 item 1056, No. 192 item 1179, No. 209 item 1315 and No. 231 item 1546, of 2009 No. 18 item 97, No. 42 item 341, No. 65 item 545, No. 71 item 609, No. 127 item 1045, No. 131 item 1075, No. 144 item 1176, No. 165 item 1316, No. 166 item 1317, No. 168 item 1323 and No. 201 item 1540, of 2010 No. 40 item 226, No. 81 item 530, No. 126 item 853, No. 182 item 1228 and No. 257 item 1724, of 2011 No. 72 item 388, No. 126 item 715, No. 131 item 763, No. 134 items 779 and 781, No. 165 item 984, No. 199 item 1175, No. 201 item 1181 and No. 232 item 1378

²⁾, the amendments of that act were announced in the Official Journal of the PFSA of 2010 No. 8 item 38 and of 2011 No. 8 item 29, No. 9 item 32, No. 11 item 42 and No. 13 items 48 and 49

d) the value of the capital of subsidiaries - for the purposes specified in § 11, in the case where the value of the capital of a subsidiary is negative and does not reduce the own funds of the bank,

- in the case where the sum is positive, in an amount not exceeding the sum of the capital requirements as referred to in § 6 par. 1 pt. 2 and 3 and pt. 4 up to the sum of capital requirements specified in § 8 pt. 1 of Appendix No. 12 to the resolution, or”;

2) in § 8:

a) in par. 2:

- in pt. 1, letters l-p are added, worded as follows:

“l) of the criteria for segmentation of exposure by class as referred to in § 6 par. 1 of Appendix No. 5 to the resolution,

m of the characteristics and results of the process of testing extreme conditions as referred to in § 163-169 of Appendix No. 5 to the resolution,

n of IT systems used within the internal ratings method,

o) of the internal rules within the scope of changes to the internal ratings method (including of the criteria for classifying planned changes as referred to in § 262 par. 3 of Appendix No. 5 to the resolution), of procedures and obligations concerning the process of internally approving amendments of that method, taking account of own organisational structure and the properties of the method employed (policy on amending the internal ratings method),

p) of the process for the calculating capital requirement;”,

- pt. 2 is now worded as follows:

“2) a list of internal bank documents concerning information as referred to in pt. 1, together with copies of those documents on electronic media.”;

b) in par. 4:

- in pt. 1, letters m-q are added, worded as follows:

“m of IT systems used within the value at risk method,

n) of the rules for independent verification of the value at risk model,

o of the role of the value at risk method in the day-to-day process of managing risk,

p) of the assumptions, rules and role of tests of extreme conditions within the scope of risk management,

q) of the internal rules within the scope of changes to the value at risk method (including of the criteria for classifying planned changes as referred to in § 3a par. 3 of Appendix No. 19 to the resolution), of procedures and obligations concerning the process of internally approving amendments of that method, taking account of own organisational structure and the properties of the method employed (policy on amending the value at

risk method),

- pt. 2 is now worded as follows:

“2) a list of internal bank documents concerning information as referred to in pt. 1, together with copies of those documents on electronic media.”;

c) in par. 5:

- in pt. 1:

- letter e is now worded as follows:

“e) of the rules and internal organisation of the process of approval the system for measuring operational risk,”,

- letter g is now worded as follows:

“g) of the process of calculating the capital requirement from operational risk taking account of the rules for allocating the capital requirement among particular entities operating in the holding company and of the manner of accounting for the effects of diversification, in the case of banks operating as part of a holding company and intending to apply an advanced measurement method in accordance with § 66 and 67 of Appendix No. 14 to the resolution,”,

- letters i-k are added, worded as follows:

“i) of the scope of application of an advanced method of measuring operational risk in day-to-day management procedures,

j) of IT systems used as part of the advanced method of measuring operational risk,

k) of the internal rules within the scope of changes to the advanced method of measuring operational risk (including of the criteria for classifying planned changes as referred to in § 35a par. 3 of Appendix No. 14 to the resolution), of procedures and obligations concerning the process of internally approving amendments of that method, taking account of own organisational structure and the properties of the method employed (policy on amending the advanced method of measuring operational risk);”,

- pt. 2 is now worded as follows:

“2) a list of internal bank documents concerning information as referred to in pt. 1, together with copies of those documents on electronic media.”;

d) par. 6 is now worded as follows:

“6. After obtaining consent to the application of the methods specified in par. 1 pt. 1-4, the bank is obliged to maintain compliance with the requirements concerning those methods, including:

1) the conditions for applying the internal ratings method - as specified in Appendix No. 5 to the resolution;

- 2) the conditions for applying the value at risk method - as specified in Appendix No. 19 to the resolution;
- 3) the conditions for applying the mixed method - as specified in § 17 of Appendix No. 6 to the resolution;
- 4) the conditions for applying the advanced method of measuring operational risk - as specified in § 34-68 of Appendix No. 14 to the resolution;

e) after par. 6, par. 6a is added, worded as follows:

“6a. If a bank no longer meets the conditions for applying the method specified as appropriate in par. 6, it is obliged to provide the Financial Supervision Authority with a schedule for restoring a state which complies with those conditions or to demonstrate that the effects of the lack of compliance are not significant.”;

3) in § 11, in par. 2, in pt. 3, letter c is now worded as follows:

“c) a consolidated transgression of the limit of exposure concentration means exceeding the limit of exposure concentration calculated on the basis of the consolidated financial statements of the bank with appropriate application of the rules specified for banks subject to consolidated supervision in resolution No. 208/2011 of the Financial Supervision Authority of 22 August 2011 on the detailed rules and conditions for taking account of exposure in determining compliance with the limits of exposure concentration (Official Journal of the PFSA No. 9 item 34 as amended³⁾), hereinafter the “resolution on the limit of exposure concentration”,”;

4) in Appendix No. 2:

a) in § 4:

- in par. 2:

- pt. 1 is now worded as follows:

“1) documentation containing a description of the model for evaluating options constituting the basis for calculating the delta ratio, taking account of the method of estimating its parameters, and for specifying and verifying assumptions and product specifications of the scope of its application;”;

- pt. 2 and 3 are repealed,

- pt. 4 is now worded as follows:

“4) documentation containing a description of the sources and methods for updating data used by the model for evaluating options;”;

³⁾ The amendments of that act were announced in the Official Journal of the PFSA of 2011 No. 13 item 49 and of 2012 item 9.

- pt. 5 is repealed,

- pt. 6 and 7 are now worded as follows:

- “6) internal procedures pertaining to risk management in reference to the provisions of par. 3 pt. 3, 4, 6 and 9 and the organisational diagram of the bank;

- 7) an evaluation of the sensitivity of delta ratios to changes in the value of the base instrument of options;”,

- pt. 8 is added, worded as follows:

- “8) self-evaluation regarding the fulfillment of the criteria referred to in par. 3.”,

- in par. 3:

- pt. 6 is now worded as follows:

- “6) the bank updates and documents data sources utilised;”,

- pt. 7 is repealed,

- b) § 5 is now worded as follows:

“§ 5. The bank secures itself against types of risk connected with options other than delta risk.”,

5) in Appendix No. 4:

- a) § 72 is now worded as follows:

“§ 72. Subject to § 72a, in the case of exposures secured by residential property which are overdue by more than 90 days, the exposure in its net value (reduced by the earmarked reserve or write-downs from lost value) are assigned the following risk weight:

- 1) a risk weight of 100% if the earmarked reserve or write-down from lost value is of an amount below 20 per cent of the gross exposure value;
- 2) 75% if the earmarked reserve or write-down from lost value is of an amount not less than 20 per cent of the gross exposure value.”,

- b) after § 72, § 72a is added, worded as follows:

“§ 72a. In the case of exposures secured by residential property, where the amount of principal or interest installments is dependent on changes in exchange rates or foreign currencies other than the currencies of the revenue attained by the debtor, which are overdue by more than 90 days, the exposure in its net value (reduced by the earmarked reserve or write-downs from lost value) is assigned a risk weight of 100%.”;

6) in Appendix No. 5, after § 261, a title is added, worded as follows:

„Title IV. Policy on amending the internal ratings method

§ 262. 1. The management board of a bank approves and implements the policy on amending the internal ratings method as referred to in § 8 par. 2, pt. 1 letter o of the resolution.

2. The policy on amending the internal ratings method sets out rules and procedures for classifying amendments and a procedure for how to deal with planned amendments. In particular, it sets out criteria for classifying amendments, and internal processes and obligations concerning implementation and documentation, and ensures that a register of amendments of the internal ratings method is kept.

3. The policy on amending the internal ratings method must take account of the following categories of amendment, determined using the relevant guidelines of the European Banking Authority of 6 January 2012 No. GL 45, Guidelines on Advanced Measurement Approach (AMA) - Extensions and Changes, on the basis of which the bank classifies planned amendments as:

- 1) expansions;
- 2) substantial changes;
- 3) significant changes;
- 4) insignificant changes;

4: The policy on amending the internal ratings method ensures that planned amendments classified as “expansions” or “substantial changes” are covered by independent internal reviews.

5. The policy on amending the internal ratings method and its application are covered by independent internal reviews.

6. The bank applies its policy on amending the internal ratings method to changes being made within the scope of internal rules of management and solutions approved within the area of the internal ratings method.

7. The register on amendments of the internal ratings method, as referred to in par. 2, should contain at least the date an amendment is implemented, a description of the change, the category of change, and a reference to the documentation concerning the change.

§ 263. 1. The classification of planned amendments is assessed taking account of changes made previously if it is held that these will have an effect at the same time, and also taking account of other planned amendments.

2. In the case where there is a discrepancy between the classification of a change based on its factual quantitative effect on the amount of the capital requirement and the classification of the same change based on quality criteria, the bank must assign the change to the category which is of greater importance.

3. Irrespective of the criteria established for classifying possible changes in the policy on amending the internal ratings method of a bank, the Financial Supervision Authority, after obtaining the consent of the bank for employing an internal ratings method, conducts an evaluation of the justification and classification of each change presented by the bank under the procedure set out in § 265-267.

§ 264. A bank which has obtained consent to apply an internal ratings method informs the Financial Supervision Authority of any modifications of its policy on amending its internal ratings method.

§ 265. 1. In order for a bank which has obtained consent to apply an internal ratings method to make changes classified as “expansions” or “substantial changes”, it must obtain the consent of the Financial Supervision Authority. To its application for consent, the bank must attach information making it possible to assess the compliance of the amendments with the requirements of the resolution, covering at least:

- 1) a description of the changes;
- 2) the conditions, purposes and anticipated effects on the capital requirement;
- 3) the report from the independent internal review of the planned change.

2. The consent as referred to in par. 1 may impose the performance of additional actions (in particular, the parallel application of the existing and amended version of the internal ratings method).

§ 266. 1. A bank which has obtained consent to apply an internal ratings method informs the Financial Supervision Authority of any changes planned in the “substantial changes” category, and provides documents containing a description of the change, its conditions, purposes, and anticipated effect on the capital requirement.

2. The Financial Supervision Authority informs the bank about all reservations it has regarding the changes referred to in par. 1. The Financial Supervision Authority may in particular indicate necessary or recommended actions concerning improvements to new or amended elements, or recommend other actions (e.g. the parallel application of the existing and amended versions of the internal ratings method).

3. In the case where the Financial Supervision Authority makes reservations as referred to in par. 2, the bank informs the Authority about the implementation of the actions referred to in par. 2.

§ 267. A bank which has obtained consent to apply an internal ratings method informs the Financial Supervision Authority once per year about changes introduced in the “insignificant changes” category.”;

7) in Appendix No. 12:

a) § 2 is now worded as follows:

“§ 2. The exposure of a bank in relation to an entity is calculated in accordance with the rules set out in Article 71 of the Banking Law Act and in the resolution on the limit of exposure concentration,”,

b) § 5 is now worded as follows:

“§ 5. The capital requirement from exceeding the limit of exposure concentration in relation to a given entity is calculated:

- 1) in accordance with § 6 - if all conditions specified in § 6 pt. 19 of the resolution on the limit of exposure concentration are met;
- 2) in accordance with § 7 - if any of conditions specified in § 6 pt. 19 of the resolution of

the Financial Supervision Authority on the limit of exposure concentration is not met;

8) in Appendix No. 14, after § 35, § 35a-35f are added, worded as follows:

“§ 35a. 1. The management board of a bank implements the policy on amending the advanced method of measuring operational risk as referred to in § 8 par. 5, pt. 1 letter k of the resolution.

2. The policy on amending the advanced method of measuring operational risk sets out rules and procedures for classifying amendments and a procedure for how to deal with planned amendments. In particular, it sets out criteria for classifying amendments, and internal processes and obligations concerning implementation and documentation, and ensures that a register of amendments of the advanced method of measuring operational risk is kept.

3. The policy on amending the advanced method of measuring operational risk must take account of the following categories of amendment, determined using the relevant guidelines of the European Banking Authority of 6 January 2012 No. GL 45, Guidelines on Advanced Measurement Approach (AMA) - Extensions and Changes, on the basis of which the bank classifies planned amendments as:

- 1) expansions;
- 2) substantial changes;
- 3) significant changes;
- 4) insignificant changes;

4: The policy on amending the advanced method of measuring operational risk ensures that planned amendments classified as “expansions” or “substantial changes” are covered by independent internal reviews.

5. The policy on amending the advanced method of measuring operational risk and its application are covered by independent internal reviews.

6. The bank applies its policy on amending the advanced method of measuring operational risk to changes being made within the scope of internal rules of management and solutions approved within the area of the advanced method of measuring operational risk.

7. The register on amendments of the advanced method of measuring operational risk, as referred to in par. 2, should contain at least the date an amendment is implemented, a description of the change, the category of change, and a reference to the documentation concerning the change.

§ 35b. 1. The classification of planned amendments is assessed taking account of changes made previously if it is held that these will have an effect at the same time, and also taking account of other planned amendments.

2. In the case where there is a discrepancy between the classification of a change based on its factual quantitative effect on the amount of the capital requirement and the classification of the same change based on quality criteria, the bank must assign the change to the category which is of greater importance.

3. Irrespective of the criteria established for classifying possible changes in the policy on amending the advanced method of measuring operational risk of a bank, the Financial

Supervision Authority, after obtaining the consent of the bank for employing an advanced method of measuring operational risk, conducts an evaluation of the justification and classification of each change presented by the bank under the procedure set out in § 35d-35f.

§ 35c. A bank which has obtained consent to apply an advanced method of measuring operational risk informs the Financial Supervision Authority of any modifications of its policy on amending its advanced method of measuring operational risk.

§ 35d. 1. In order for a bank which has obtained consent to apply an advanced method of measuring operational risk to make changes classified as “expansions” or “substantial changes”, it must obtain the consent of the Financial Supervision Authority. To its application for consent, the bank must attach information making it possible to assess the compliance of the amendments with the requirements of the resolution, covering at least:

- 1) a description of the changes;
- 2) the conditions, purposes and anticipated effects on the capital requirement;
- 3) the report from the independent internal review of the planned change.

2. The consent as referred to in par. 1 may impose the performance of additional actions (in particular, the parallel application of the existing and amended versions of the advanced method of measuring operational risk).

§ 35e. 1. A bank which has obtained consent to apply an advanced method of measuring operational risk informs the Financial Supervision Authority of any changes planned in the “substantial changes” category, and provides documents containing a description of the change, its conditions, purposes, and anticipated effect on the capital requirement.

2. The Financial Supervision Authority informs the bank about all reservations it has regarding the changes referred to in par. 1. The Financial Supervision Authority may in particular indicate necessary or recommended actions concerning improvements to new or amended elements, or recommend other actions (e.g. the parallel application of the existing and amended versions of the advanced method of measuring operational risk).

3. In the case where the Financial Supervision Authority makes reservations as referred to in par. 2, the bank informs the Authority about the implementation of the actions referred to in par. 2.

§ 35f. A bank which has obtained consent to apply an advanced method of measuring operational risk informs the Financial Supervision Authority once per year about changes introduced in the “insignificant changes” category.”;

9) in Appendix No. 19:

a) in § 3, in pt. 11, letter e is now worded as follows:

“e) of the process of approving changes in the value at risk model,”,

b) after § 3, § 3a-3f is added, worded as follows:

“§ 3a. 1. The management board of a bank approves and implements the policy on amending the value at risk method as referred to in § 8 par. 4 pt. 1 letter k of the resolution.

2. The policy on amending the value at risk method sets out rules and procedures for classifying amendments and a procedure for how to deal with planned amendments. In particular, it sets out criteria for classifying amendments, and internal processes and obligations concerning implementation and documentation, and ensures that a register of amendments of the value at risk method is kept.

3. The policy on amending the value at risk method must take account of the following categories of amendment, determined using the relevant guidelines of the European Banking Authority of 6 January 2012 No. GL 45, Guidelines on Advanced Measurement Approach (AMA) - Extensions and Changes, on the basis of which the bank classifies planned amendments as:

- 1) expansions;
- 2) substantial changes;
- 3) significant changes;
- 4) insignificant changes;

4: The policy on amending the value at risk method ensures that planned amendments classified as “expansions” or “substantial changes” are covered by independent internal reviews.

5. The policy on amending the value at risk method and its application are covered by independent internal reviews.

6. The bank applies its policy on amending the value at risk method to changes being made within the scope of internal rules of management and solutions approved within the area of the value at risk method.

7. The register on amendments of the value at risk method, as referred to in par. 2, should contain at least the date an amendment is implemented, a description of the change, the category of change, and a reference to the documentation concerning the change.

§ 3b. 1. The classification of planned amendments is assessed taking account of changes made previously if it is held that these will have an effect at the same time, and also taking account of other planned amendments.

2. In the case where there is a discrepancy between the classification of a change based on its factual quantitative effect on the amount of the capital requirement and the classification of the same change based on quality criteria, the bank must assign the change to the category which is of greater importance.

3. Irrespective of the criteria established for classifying possible changes in the policy on amending the value at risk method of a bank, the Financial Supervision Authority, after obtaining the consent of the bank for employing a value at risk method, conducts an evaluation of the justification and classification of each change presented by the bank under the procedure set out in § 3d-3f.

§ 3c. A bank which has obtained consent to apply a value at risk method informs the Financial Supervision Authority of any modifications of its policy on amending its value at risk method.

§ 3d. 1. In order for a bank which has obtained consent to apply a value at risk method to make changes classified as “expansions” or “substantial changes”, it must obtain the consent of the Financial Supervision Authority. To its application for consent, the bank must attach information making it possible to assess the compliance of the amendments with the requirements of the resolution, covering at least:

- 1) a description of the changes;
- 2) the conditions, purposes and anticipated effects on the capital requirement;
- 3) the report from the independent internal review of the planned change.

2. The consent as referred to in par. 1 may impose the performance of additional actions (in particular, the parallel application of the existing and amended version of the value at risk method).

§ 3e. 1. A bank which has obtained consent to apply a value at risk method informs the Financial Supervision Authority of any changes planned in the “substantial changes” category, and provides documents containing a description of the change, its conditions, purposes, and anticipated effect on the capital requirement.

2. The Financial Supervision Authority informs the bank about all reservations it has regarding the changes referred to in par. 1. The Financial Supervision Authority may in particular indicate necessary or recommended actions concerning improvements to new or amended elements, or recommend other actions (e.g. the parallel application of the existing and amended versions of the value at risk method).

3. In the case where the Financial Supervision Authority makes reservations as referred to in par. 2, the bank informs the Authority about the implementation of the actions referred to in par. 2.

§ 3f. A bank which has obtained consent to apply a value at risk method informs the Financial Supervision Authority once per year about changes introduced in the “insignificant changes” category.”,

c) in § 5, pt. 1 is now worded as follows:

“1) the unilateral level of significance equals 0.01;”.

§ 2. This resolution enters into force on 30 June 2012.

Chairman
of the Financial Supervision
Authority

Andrzej Jakubiak

