

**PRUDENTIAL STANDARD FOR BASEL I CAPITAL MEASUREMENT FOR
CREDIT INSTITUTIONS LICENSED UNDER THE BANKING ACT, 2015**



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LIST OF ACRONYMS

BCBS	Basel Committee on Banking Supervision
CAR	Capital Adequacy Ratio
ECCU	Eastern Caribbean Currency Union
LFI	Licensed Financial Institution
PSE	Public Sector Entity
RWA	Risk Weighted Assets
RW	Risk Weight

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NO 1 OF 2026

1.0 INTRODUCTION

The *Prudential Standard on Basel I Capital Measurement for Credit Institutions Licensed Under the Banking Act, 2015* (the Prudential Standard) is issued by the Eastern Caribbean Central Bank (Central Bank), in exercise of the powers conferred on it by Section 184 of the Banking Act, 2015, as amended¹ (hereinafter referred to as the Act).

2.0 COMMENCEMENT

This Prudential Standard shall come into effect on 2 February 2026.

3.0 INTERPRETATION

This section of the Prudential Standard employs the interpretation established in the Act. However, the following terms are defined for the purpose of this Prudential Standard:

- (a) **Banking Book** includes all financial instruments that are not held in the trading book. These include securities held to maturity or at fair value to other comprehensive income (aimed to generate earnings from a cash flow by selling assets occasionally, but not with a significant turnover), as well as the traditional banking activity items such as loans and commitments.
- (b) **Fixed Assets Revaluation Reserve** means the increase in book value of a fixed asset based on an independent and professional appraisal as to the market value of such an asset.
- (c) **Intangible Assets** are non-monetary assets which are without physical substance and identifiable (either being separable or arising from contractual or other legal rights). They include, but are not limited to, copyright, goodwill, licences, trademarks, patents, intellectual property and capitalised information technology software costs.
- (d) **Credit Institutions** means any licensed financial institution other than a bank whose business is that of money lending or the granting of credit facilities.²

¹ Anguilla Banking Act No 6 of 2015 (183), as amended

² Section 2 of the Act defines ‘credit institution’ but it is included herein since it’s a key terminology.

- (e) **Going-Concern Capital** is capital against which losses can be written off while the institution continues to operate.
- (f) **Gone-Concern Capital** is capital that would not absorb losses until such time as an institution is wound up, or the capital is otherwise written off or converted to ordinary shares.
- (g) **Specific Provision for Loan Losses** means loan loss reserves held against identified losses or potential losses and which cannot be utilised to satisfy general losses which subsequently materialise.
- (h) **Subordinated Debt** means debt having a claim against the issuer's assets that is lower ranking or junior to other obligations, and is paid after claims to holders of senior claims are satisfied.
- (i) **Tier 1 Capital** means the total of:
- i. Paid-up share capital, statutory reserve fund, share premium account, retained earnings and any other capital account approved by the Central Bank, in the case of credit institutions, or
 - ii. Such other capital account or similar measure as approved by the Central Bank, in the case of a credit institution that is the licensed branch of a foreign financial institution, less any amount by which that total has been impaired in either case.
- (j) **Tier 2 Capital** refers to capital computed in accordance with the relevant criteria established in the Prudential Standard.
- (k) **Total Qualifying/Eligible Capital** is the sum of Tier 1 capital and Tier 2 capital.

4.0 OBJECTIVES

This Prudential Standard is intended to:

- (a) Revise the regulatory framework³ implemented by the Central Bank for the calculation of minimum capital requirements for credit institutions⁴, in accordance with the *International Convergence of Capital Measurement and Capital Standards* (April 1998) (Basel I Framework), developed by the Basel Committee on Banking Supervision (BCBS); and

³ The Basel I capital requirements, previously in the Banking (*Capital Adequacy and Capital Ratios*) Regulations, 2006 which was repealed, will now be outlined in this Prudential Standard.

⁴ Historically, the Central Bank referred to credit institutions as 'Non-Bank Financial Institutions'.

- (b) Ensure that all credit institutions maintain a level of capital that is consistent with the risks to which they are exposed from their business activities.

5.0 APPLICATION

This Prudential Standard applies to all credit institutions licensed under the Act, as necessary. By issuing this Prudential Standard, the Central Bank aims to support the ongoing assessment of the capital adequacy of credit institutions, under the Basel I Framework. Credit institutions shall conduct their affairs in conformity with other applicable legal requirements. Where deemed appropriate, the Central Bank will also apply these capital requirements to other licensed financial institutions (LFIs).

6.0 OVERVIEW OF THE PRUDENTIAL STANDARD

Capital provides a buffer to absorb unanticipated losses incurred by a credit institution as a result of its risk exposures. It also enables the credit institution to continue operating while problems arising from heightened risks are being addressed. The Central Bank's approach for assessing a credit institution's capital adequacy focuses on the following:

- (a) The components and quality of capital held by the credit institution to support its operations; and
- (b) The calculation of the minimum capital requirements for credit risk.

This Prudential Standard is divided into two main sections. Part One describes the constituents of capital and the target ratios, and Part Two outlines the risk weighting system applicable to credit institutions.

All credit institutions are required to maintain a minimum capital adequacy ratio (CAR) of at least 8.0 per cent at all times. However, pursuant to Section 47 of the Act, the Central Bank may require a credit institution to increase its minimum CAR, based on factors such as:

- (a) The characteristics of the credit institution (for example, size, risk profile, the volatility of its earnings, balance sheet structure and business model, and strategy);
- (b) Exposure to risks not considered such as credit concentration risk, interest rate risk in the banking book, liquidity risk, strategic risk and reputational risk;
- (c) The types of assets;
- (d) The degree of concentration of counterparty exposure in the credit institution's portfolio;
- (e) The experience and quality of management and other personnel;
- (f) The adequacy of internal systems and controls; and
- (g) Shareholder(s)' support and control.

The CAR is calculated by dividing a credit institution's total eligible capital, as defined in Part One, by its total risk-weighted assets (RWA).

Each credit institution must maintain a minimum ratio of Tier 1 capital to total RWA of 4.0 per cent and the predominant form of Tier 1 capital must be met with core equity capital. These relationships can be expressed by the following simple formulas:

$$1) \text{ Tier 1 ratio} = \frac{\text{Tier 1 capital}}{\text{Total RWA}} \geq 4\%$$

$$2) \text{ CAR} = \frac{\text{Total eligible capital}}{\text{Total RWA}} \geq 8\%$$

7.0 SCOPE OF APPLICATION

The scope of application of this framework includes, on a consolidated basis, credit institutions incorporated in the Eastern Caribbean Currency Union (ECCU/Currency Union) and regulated by the Central Bank under the Eastern Caribbean Central Bank Agreement Act (1983). The scope also includes credit institutions incorporated in the Caribbean Community (CARICOM), and within the CARICOM Single Market and Economy. Where deemed necessary, the framework will also include, on a fully consolidated basis, any financial holding company that is the parent entity within a financial group, to ensure that the risk of the whole financial group is fully captured.

A. PART ONE - CAPITAL COMPOSITION

Reference Part I when completing the *Schedule 11: Capital Computation Worksheet* of the *Other Depository 06 (ODO6) Reporting* form.

8.0 THE DEFINITION OF CAPITAL

This section provides the constituents of the regulatory capital regime for all credit institutions, in line with the Basel I requirements, by outlining the main instruments of capital and the regulatory adjustments/deductions to be made.

In order to be eligible for inclusion in regulatory capital, a credit institution's capital should have the following characteristics:

- (a) Provide permanent and unrestricted commitment of funds;
- (b) Be freely available to absorb losses;
- (c) Not impose any unavoidable servicing charges against earnings; and
- (d) Rank behind the claims of depositors and other creditors in the event the credit institution is wound up.

8.1 Total Qualifying/Eligible Capital

Total qualifying/eligible capital shall consist of the sum of the following elements:

- (a) Tier 1 capital (going-concern capital); and
- (b) Tier 2 capital (gone-concern capital).

For each of the categories above, there is an individual set of criteria listed below that the instruments are required to meet before they can be included in the relevant category.

8.1.1 Tier 1 Capital

Tier 1 capital consists of the sum of the following elements:

- (a) Paid-up ordinary share capital;
- (b) Paid-up ordinary share capital surplus (share premium) resulting from the issue of instruments included in Tier 1 capital;
- (c) Paid up perpetual non-cumulative preference shares;
- (d) Paid up perpetual non-cumulative preference shares surplus;
- (e) Statutory reserves inclusive of any reserve maintenance fund⁵;
- (f) Capital reserves excluding asset revaluations;
- (g) General reserves excluding reserves designated for losses on assets; and
- (h) Retained earnings (accumulated losses) - audited after deducting any interim or final dividends which have been declared by the Board of Directors of the reporting

⁵ Pursuant to section 45 of the Banking Act, 2015, as amended (or section 44 of the Banking Act, 2015 of Anguilla (No 6 of 2015)).

institution or group on any class of shares and any interim losses incurred since the end of the last financial reporting period.

Less: regulatory adjustments applicable on Tier 1 capital, as detailed in section 8.1.1.2 below.

8.1.1.1 Core Capital

The Central Bank considers equity capital⁶ (core capital) as the key element of capital on which emphasis should be placed. This emphasis reflects the importance the Central Bank places on securing a progressive enhancement in the quality and level of the total capital resources maintained by all credit institutions. Notwithstanding, the Central Bank considers that there are a number of other important and legitimate components of a credit institution's capital which may be included within the system of measurement.

8.1.1.2 Regulatory Adjustments/Deductions from Tier 1 Capital

A credit institution must make regulatory adjustments to determine Tier 1 capital at the solo or consolidated level, as the case may be. Assets deducted from Tier 1 capital should not be included in RWA. The following deductions should be made from capital for the purpose of calculating the CAR:

- i) *Current year losses.*
- ii) *Bonus shares from capitalisation of unrealised asset revaluation reserves.*
- iii) *Goodwill.* The full amount shall be deducted, net of any associated deferred tax liability that would be extinguished, if the goodwill becomes impaired or derecognised under international accounting standards.
- iv) *Other intangible assets*⁷.

The Basel I capital framework does not outline a specific treatment for deferred tax assets. Credit institutions should therefore treat deferred tax assets in accordance with the requirements of International Accounting Standards.

Tier 1 Capital should be at least 50.0 per cent of a credit institution's total capital and comprised mainly of equity capital and disclosed reserves.

⁶ Issued and fully paid ordinary shares/common stock and non-cumulative perpetual preferred stock but excluding cumulative preferred stock.

⁷ Intangible assets include, but are not limited to, copyright, patents, intellectual property and capitalised information technology software costs. These assets only have value to a profit-making institution and are normally written off as they are completely worthless when the institution is liquidated.

8.1.2 Tier 2 Capital

Tier 2 capital consists of the sum of the following elements:

- i. Fixed asset revaluation reserves (limited to 20.0 per cent of Tier 1 capital) (**See guidance note in section 8.1.2.1 below**);
- ii. General provisions/Reserves for losses on assets (limited to 1.25 per cent of RWA);
- iii. Paid up perpetual cumulative preference shares (**See guidance note in section 8.1.2.1 below**);
- iv. Paid up perpetual cumulative preference shares surplus;
- v. Bonus shares from capitalisation of unrealised asset revaluation reserves;
- vi. Unaudited undivided profits comprise the year to date profit or loss. Interim profit or loss in the form of unrealised gains and or unaudited profits should be included as part of Tier 2 capital and only transferred to Tier 1 capital when they have been realised and/or audited;
- vii. Revaluation reserves on available for sale securities;
- viii. Other asset revaluation reserves;
- ix. Other undisclosed reserves that meet the criteria for Tier 2 capital;
- x. Regulatory loan loss reserves;
- xi. Mandatory convertible debt instrument;
- xii. Other hybrid capital instruments; and
- xiii. Subordinated term debt and limited life reference shares (limited to a maximum of 50.0 per cent of Tier 1 capital).

Less: regulatory adjustments applicable on Tier 2 capital as detailed in section 8.1.2.1 below.

8.1.2.1 Guidance Notes on Components of Tier 2 Capital

The total of Tier 2 capital elements will be limited to a maximum of 100.0 per cent of the total of Tier 1 capital elements. The supplementary capital elements and the reason for their inclusion in Tier 2 capital are set out below. The characteristics of each instrument are also provided.

(a) Undisclosed reserves

These are elements of supplementary capital, which although unpublished, have been passed through the profit and loss account in accordance with international financial reporting standards. Inherently, they should be of the same intrinsic quality as disclosed retained earnings, but in the context of their lack of transparency, they are excluded from core capital. Thus, they should not be encumbered by any provision or other known liability but should be freely and immediately available to meet unforeseen future losses.

(b) Fixed Asset Revaluation Reserves

Some licensees revalue certain assets to reflect their current market value. The resultant revaluation reserves may be included in supplementary capital. Such revaluations can arise in two ways:

- i) From a formal revaluation of fixed assets, normally the credit institution's own premises, carried through to the balance sheet; or
- ii) From a notional addition to capital of hidden values of "latent" revaluation reserves, which arise from the practice of holding equity securities in the balance sheet valued at the historic cost of acquisition.

Such reserves may be included within supplementary capital, provided that the assets are prudently valued, fully reflecting the possibility of price fluctuations, and forced sale.

Fixed asset revaluation reserves are limited to 20.0 per cent of Tier 1 capital.

With "*latent*" revaluation reserves, a discount of 55.0 per cent will be applied to the difference between historic cost book value and market value to reflect the potential volatility of this form of unrealised capital and the notional tax charge on it.

(c) General provisions

General provisions or general loan-loss reserves are created against the possibility of losses not yet identified. Where they do not reflect a known deterioration in the valuation of particular assets, whether individual or grouped, these reserves qualify for inclusion in Tier 2 capital. However, where provisions or reserves (that is, specific provisions) have been created against identified losses or in respect of an identified deterioration in the value of any asset or group of assets, they are not freely available to meet unidentified losses. Such provisions or reserves should therefore not be included in the total capital.

General provisions should be included in Tier 2 capital, subject to a limit of 1.25 per cent of total RWA.

(d) Preference Shares and Mandatory Convertible Debt Instruments

Perpetual cumulative preference shares, long-term preference shares and mandatory convertible debt instruments must satisfy the following criteria to be eligible for inclusion in Tier 2 capital:

- i. They must be unsecured, subordinated and fully paid;
- ii. They must not be redeemable at the discretion of the holder;
- iii. They must be available to absorb losses; and

- iv. Service obligations attached to the instruments must be deferrable.

(e) Hybrid (Debt/Equity) Capital Instruments

These capital instruments combine certain characteristics of equity and debt. Each instrument has the following features, which can be considered to affect its quality as capital:

- i. They are unsecured, subordinated and fully paid-up;
- ii. They are not redeemable at the initiative of the holder or without the prior consent of the supervisory authority;
- iii. They are available to participate in losses without the institution being obliged to cease trading (unlike conventional subordinated debt);
- iv. Although the capital instrument may carry an obligation to pay interest that cannot permanently be reduced or waived (unlike dividends on ordinary shareholders' equity), *it should allow service obligations to be deferred* (as with cumulative preference shares) where the profitability of the institution would not support payment.

Where these instruments have close similarities to equity, in particular when they are able to support losses on an on-going basis without triggering liquidation, they may be included in supplementary capital.

Cumulative preference shares, having these characteristics, would be eligible for inclusion in this category.

(f) Subordinated Term Debt and Limited Life Preferences Shares

Subordinated term debt instruments may be included within supplementary capital if it satisfies the following requirements, it -

- i. is unsecured;
- ii. has an original fixed term to maturity of at least five years;
- iii. may be redeemed before maturity only at the option of the credit institution and with the prior approval of the Central Bank; and
- iv. satisfies such further conditions prescribed by the Central Bank.

Additionally, approved subordinated debt may be included in Tier 2 capital during the last five (5) years before maturity if a cumulative discount or amortisation factor of 20.0 per cent per annum is applied to reflect the diminishing value of the subordinated debt as a continuing source of strength.

Limited life preference shares may also be included in supplementary capital, subject to similar conditions as subordinated term debt.

Subordinated term debt and limited life preference shares are limited to a maximum of 50.0 per cent of Tier 1 capital.

8.1.2.2 Regulatory Adjustments/Deductions from Tier 2 Capital

- i) *Brokerage licence*⁸.
- ii) *Investments in financial subsidiaries not consolidated in the group.* The regulatory adjustment in this section applies to investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation⁹.
- iii) *Other Regulatory Adjustments.* A credit institution shall make any other deductions required under any other applicable prudential standards and/or legislation and/or as may be required by the Central Bank.

If the total of all Tier 2 capital deductions exceeds the Tier 2 capital available, the excess must be deducted from Tier 1 capital.

Investments in subsidiaries engaged in banking and financial activities which are not consolidated in national systems will be made against total capital.

Other Regulatory Requirements

The Central Bank requires credit institutions to implement policies and procedures to ensure appropriate audit, verification or review procedures.

8.2 Limits and Minima

At least 50.0 per cent of an institution's total capital should consist of Tier 1 capital, which should comprised of equity capital and published reserves from post-tax retained earnings. The other elements of capital (that is, supplementary capital) will be admitted into Tier 2 capital up to an amount equal to that of the Tier 1 capital.

⁸ This amount represents the capital requirements for the broker dealer licence from the Eastern Caribbean Securities Regulatory Commission.

⁹ Investments in entities that are outside the scope of regulatory consolidation refer to investments in entities that have not been consolidated at all, or have not been consolidated in such a way as to result in their assets being included in the calculation of consolidated risk-weighted assets of the group.

A credit institution shall at all times maintain minimum ratios as follows:

Table 1: Capital Ratios

Ratio	Minimum Capital Level
Tier 1	4.0% of risk-weighted assets 50.0% of the total capital
Total Capital (Tier 1 + Tier 2)	8.0% of risk-weighted assets ¹⁰

For the purposes of determining the CAR of a credit institution, the total capital shall be the sum of Tier 1 and Tier 2 capital net of regulatory adjustments applied.

A credit institution shall maintain a minimum CAR between its total regulatory capital, the numerator, and the aggregate of its risk weighted on-balance sheet and off-balance sheet assets less approved deductions of not less than 8.0 per cent, calculated on a consolidated and solo basis.

B. PART TWO - CREDIT RISK MINIMUM CAPITAL REQUIREMENT

The following section sets out the minimum capital requirements for credit risk exposures in the banking book by establishing prescribed risk weights (RWs) in accordance with the asset classes for regulatory capital purposes. Credit institutions must apply the prescribed RW to both on-balance sheet and off-balance sheet exposures. All exposures are to be risk weighted net of specific provisions, which are excluded from capital.

9.0 RISK WEIGHT CATEGORIES

Credit institutions shall assign all assets recorded on the balance sheet, as well as off-balance sheet exposures, to broad risk categories as outlined below.

9.1 On-Balance Sheet Assets

The Central Bank considers that a weighted risk ratio related to different categories of assets on- or off-balance sheet exposures, weighted according to broad categories of relative riskiness, is the preferred method for assessing the capital adequacy of credit institutions. The major risk exposures and their relevant risk weights are as follows:

9.1.1 Cash

A zero per cent RW will apply to cash. A 20.0 per cent RW will apply to bank cheques and drafts held for collection.

Fully cash secured claims will be assigned a zero per cent RW.

¹⁰ The minimum capital requirement for the industry is currently 8.0 per cent, however, the ECCB reserves the right to impose higher capital requirements as per Section 47 of the Act, to address risks in licensed financial institutions, licensed financial holding company or in the financial system.

9.1.2 Claims on ECCU Sovereigns and the Central Bank

- i. Claims including performing securities issued or guaranteed by ECCU member governments and claims on the Central Bank will be risk weighted at zero per cent; and
- ii. Where exposures to ECCU sovereigns or their fully guaranteed exposures are non-performing, a RW of 20.0 per cent will be applied.

9.1.3 Claims on ECCU Governments, Statutory Bodies and Other Public Sector Entities

Claims on governments, statutory bodies and other public sector entities will be risk weighted as follows:

- i. Fully ECCU government guaranteed claims: zero per cent;
- ii. Partial credit guarantees by ECCU governments: zero per cent;
- iii. All other claims on governments, statutory bodies and other public sector entities, inclusive of non-performing claims: 20.0 per cent; and
- iv. State-owned enterprises operating commercially¹¹ will be risk weighted at 100.0 per cent.

All such claims should be denominated and funded in EC dollars.

9.1.4 Claims on Other Governments

- i. Claims on Non-ECCU CARICOM central banks and governments: zero per cent; and
- ii. Claims on Non-CARICOM central banks and governments: zero per cent.

9.1.5 Due from Banks

Claims on all banks will be risk weighted at 20.0 per cent.

9.1.6 Claims on Other Financial Institutions

- i. Claims on other ECCU financial institutions and other claims and loans guaranteed by other financial institutions will be assigned a 20.0 per cent RW.
- ii. Claims on financial institutions incorporated in foreign countries will be risk weighted as follows:
 - With a residual maturity of up to one (1) year - 20.0 per cent; and

¹¹ In cases where the entity operates like a corporate in a competitive market, it will be treated as a commercial undertaking and as such, risk weighted as a corporate.

- With a residual maturity of over 1 year - 100.0 per cent, inclusive of guaranteed claims and loans.
- iii. Claims on securities firms will be assigned a 20.0 per cent RW, provided these firms are subject to risk-based supervisory and regulatory arrangements. Otherwise, such claims will be assigned a RW of 100.00 per cent.

9.1.7 Claims on State-owned Enterprises not Guaranteed by Government

Claims on state-owned enterprises not guaranteed by ECCU governments will be assigned a 20.0 per cent RW.

9.1.8 Claims on Fully Secured Real Estate Residential Mortgages

Loans secured by mortgages on residential property that is, or will be occupied or rented by the owner, will be risk weighted at 50.0 per cent.

9.1.9 Personal Loans, Advances and Credit Cards

Personal loans, advances and credit cards will be assigned a RW of 100.0 per cent. Claims secured by residential property should be excluded.

9.1.10 Commercial Loans and Advances

Claims on commercial loans and advances will be assigned a RW of 100.0 per cent, inclusive of corporate loans and claims secured by commercial real estate.

9.1.11 All Other Claims

A standard RW of 100.0 per cent will be applied to all other claims.

9.2 Off-Balance Sheet Exposures

The categories of off-balance sheet items include guarantees, commitments, and similar contracts whose full notional principal amount may not necessarily be reflected on the balance sheet. These exclude foreign exchange and interest rate related contingencies.

Credit institutions should convert off-balance sheet items into credit exposures equivalents¹² through the use of credit conversion factors (CCFs) as follows:

Off-Balance Sheet Exposure	CCF
i. Commitments with an original maturity of up to one year, or which can be unconditionally cancelled at any time	0%
i. Short-term self-liquidating trade-related contingencies (such as documentary credits collateralised by the underlying shipments)	20%

¹² By multiplying the nominal principal amounts by the credit conversion factor (CCF).

i. Note issuance facilities and revolving underwriting facilities. ii. Certain transaction-related contingent items (e.g. performance bonds, bid bonds, warranties and standby letters of credit related to particular transactions). iii. Other commitments (e.g. formal standby facilities and credit lines) with an original maturity of over one year.	50%
i. Direct credit substitutes, example, general guarantees of indebtedness (including standby letters of credit serving as financial guarantees for loans and securities) and acceptances (including endorsements with the character of acceptances). ii. Sale and repurchase agreements and asset sales with recourse, where the credit risk remains with the institution. iii. Forward asset purchases, forward deposits and partly-paid shares and securities, which represent commitments with certain drawdown.	100%

Where there is an undertaking to provide a commitment on an off-balance sheet item, the lower of the two applicable CCFs is to be applied.

9.2.1 The Treatment of Financial Contracts and Other Purchased Options

LFIs will need authorisation from the Central Bank to engage in Over-the-Counter (OTC) derivatives other than simple forwards on foreign currency (FX) and interest rates, FX swaps, currency swaps on interest rates swaps.

These transactions expose LFIs to counterparty risk. The treatment that shall be applied to determine the credit equivalent amount of the OTC derivatives is the “*current exposure method*”¹³. By this method, LFIs must calculate the current replacement cost by marking contracts to market/model, thus capturing the current exposure without any need for estimation, and then adding a factor (the “add-on”) to reflect the potential future exposure over the remaining life of the contract. In order to calculate the credit equivalent amount of these instruments under this method, a LFI would sum:

- The total replacement cost (obtained by “marking to market”) of all its contracts with positive value; and
- An amount for potential future credit exposure calculated on the basis of the total notional principal amount of its book, split by residual maturity as follows:

¹³ BCBS: Annex IV of the “*International Convergence of Capital Measurement and Capital Standards*” (updated April 1998). This approach was replaced by the “*The standardised approach for measuring counterparty credit risk exposures*”, March 2014 (rev. April 2014), but given the reduced level of OTC derivatives transactions within the Currency Union were considered.

	Interest Rates	FX and Gold	Equities	Precious Metals Except Gold	Other commodities
One year or less	0.0%	1.0%	6.0%	7.0%	10.0%
Over one year to five years	0.5%	5.0%	8.0%	7.0%	12.0%
Over five years	1.5%	7.5%	10.0%	8.0%	15.0%

Notes:

1. For contracts with multiple exchanges of principal (like swaps), the factors are to be multiplied by the number of remaining payments in the contract.
2. For contracts that are structured to settle outstanding exposure following specified payment dates and where the terms are reset such that the market value of the contract is zero on these specified dates, the residual maturity would be set equal to the time until the next reset date.
3. In the case of interest rate contracts with remaining maturities of more than one year that meet the above criteria, the add-on factor is subject to a floor of 0.5 per cent.
4. Other derivative contracts not covered by any of the columns of this matrix are to be treated as "*other commodities*".
5. No potential future credit exposure would be calculated for single currency floating/floating interest rate swaps; the credit exposure on these contracts would be evaluated solely based on their mark-to-market value.

Once the credit institution has calculated the credit equivalent amounts of any off-balance sheet item, they are to be weighted according to the category of counterparty in the same manner as with on-balance sheet items, including concessionary weighting in respect of exposures backed by eligible guarantees and collateral.

10.0 REGULATORY REPORTING REQUIREMENTS

All credit institutions must provide the Central Bank with reports on the components of their capital adequacy calculations on the schedule provided, on a quarterly basis (or as determined by the Central Bank).

A credit institution must ensure that any component of capital included in its capital satisfies, in both form and substance, all applicable requirements prescribed for the relevant category of capital in which it is included.

The Central Bank may, in writing, require a credit institution to:

- a) Exclude from its regulatory capital any component of capital that, in the opinion of the Central Bank, does not represent a genuine contribution to the financial strength of the institution;
- b) Reallocate to a lower category of capital any component of capital that, in the opinion of the Central Bank, does not fully satisfy the requirements for the category of capital to which it was originally allocated;
- c) Provide the Central Bank, as soon as practicable, with copies of documentation associated with the issue of Tier 1 and Tier 2 capital instruments, including a description of the main features of the capital instruments issued; and/or
- d) Notify the Central Bank prior to any subsequent modification of the terms and conditions of an instrument that may affect its eligibility to continue to qualify as regulatory capital.