

## Capital Requirements Directive IV and Capital Requirements Regulation – CRD IV / CRR

The implementation of the Basel III regulations will take place in the European Union through the new Capital Requirements Directive (CRD IV) with a related Capital Requirements Regulation (CRR). In combination, they form the general conditions for banks and financial services institutions under European law. This is based on strict requirements for solvency, liquidity and a special reporting obligation

### General Information

#### *General content of CRD IV*

- Guidelines for the authorisation and supervision of banking and financial services companies
- Rules for the equity base
- Sanctions for violations
- Rules for the bodies of the institutes and their supervision

#### *General content of CRR*

- Regulatory requirements on preserved equity (composed of hard-core capital, additional core capital and supplementary capital)
- Rules for liquidity and large loans exposures

#### *Credit risk / default risk*

- Determination of capital requirements for credit / default risk using the credit risk standard approach or internal rating procedures

#### *Market risk*

- Foreign currency risk, institution's raw material risk and position risk (interest rate and stock-related risk) of a trading book

#### *Counterparty risk*

- Consideration of deterioration in counterparty creditworthiness in valuation of outstanding derivatives transactions  
→Credit Value Adjustments (CVA)

#### *Operational risk*

- Risk caused by impropriety or failure of internal procedures, people and systems, or by external events

#### *Liquidity requirements*

- Protection against serious liquidity crises with Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)

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