

What's New in Regulatory Compliance

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Release Highlights

Regulatory Compliance

IFRS 9 Accounting » Including Collateral in ECL Calculations

The formula used for Expected Credit Loss (ECL) calculations includes the Probability of Default (PD)/Loss Given Default (LGD) values, which can be uploaded from the PD/LGD model from Temenos Transact FRM or any local PD/LGD model used by the bank. If the Loss Given Default (LGD) values used by the bank do not consider the collateral in LGD valuation, then the banks can apply collateral value directly in the ECL calculations.

IFRS9 is enhanced to support the collateral mitigation in ECL calculations by including the collateral in the recoverable value, as ECL is calculated as the difference in Exposure at Default (EAD) and Recoverable Value. Collateral can now be included in ECL calculations through recoverable value when it is not considered in the valuation of LGD. Users can also configure how they want collateral to be considered in the ECL calculation.

Click [here](#) to understand the technical impact of this enhancement for customisation and upgrades.

The topics related to this feature are given below:

[Collateral in ECL](#)

[Collateral Mitigation Details](#)

FATCA Client Identification » Reporting Balances in FATCA with AA Accounts for Joint Owners

When two or more customers jointly hold an arrangement account, the entire balance or value of the account is attributed to each holder of the account. The FATCA reports of a customer now contains the account balances of all the joint accounts when the relation level is set to account and the customer roles are configured in `FATCA.AGGREGATION.PARAMETER`.

This functionality provides the following benefits:

- Banks can update the account balances in `FATCA.AGGREGATE.BALANCE` based on the relation level opted in `FATCA.AGGREGATION.PARAMETER`. The account balances from an arrangement account are considered in the aggregate balances of the primary owner only and not in the aggregate balances of the joint owners of the arrangement accounts.
- The user can configure and define the relation code based on the `RELATION` record in `FATCA.AGGREGATION.PARAMETER`. This configuration allows the user to define the parameter table with the customer roles based on the `AA.CUSTOMER.ROLES` table, which is used in the arrangement accounts.
- The FATCA aggregation service is now enhanced to include the account balances from the arrangement accounts with joint ownerships reflected in the records of the `FATCA.AGGREGATE.BALANCES` and `FATCA.TAX.BASE` applications of the joint holders of the arrangement accounts, based on the customer roles defined.

The topics related to this feature are given below:

[Relation Code](#)

[Account-level Relationships with AA Customer Roles](#)

FATCA Client Identification/CRS Client Identification » Processing FATCA and CRS as a Real-time Service

Banks can run the RT.CREATE.REGULATORY.RECS service as a real time service in auto mode to update the records in the customer supplementary info tables for FATCA, CRS and QI customers. However, the ST.IDENTIFY.INDICIA job is still needed as it is used by banks as a one- time service to create the FCSI and CCSI for all customers in the database for the first time after installing the product. The ST.UPDATE.INDICIA service is required to be continued to handle HOLD.MAIL and STANDING.INSTRUCTION indicia calculation.

The topics related to this feature are given below:

[Creating and Updating](#)

[FATCA.CUSTOMER.SUPPLEMENTARY.INFO based on Indicia strength](#)

[Document Renewal or Closure of FATCA Documents](#)

[Configuring RT.REGULATORY.RULES](#)

[Automated Creation and Management of CRS.CUST.SUPP.INFO](#)

Technical Notes

Regulatory Compliance

IFRS 9 Accounting » Including Collateral in ECL Calculations

When collateral is considered for ECL calculations, the *Recoverable Val Option* field in `IFRS.PARAMETER` can be configured with the following options to include the collateral as part of the recoverable value during ECL calculations.

- Coll In Lgd - is the default option, in which the collateral is considered during LGD (Loss Given Default) valuation.
- Unsec Exp Cf Coll and Exp Cf Coll options - explicitly considers the collateral amount as part of the recoverable value. Either the system computes this collateral amount automatically by referring to the ECB or the user can attach a Jbase routine or a Java hook to the *Collateral info* field in `IFRS.PARAMETER` to return the collateral value.

The `IFRS.PARAMETER.COLLATERAL.INFO.HOOK` record in `EB.API` defines the hook interface for the java method defined by the user.

Based on the jbase routine or Java method attached by the user, the below arguments for jbase routine and Java method,

Jbase routine arguments			Java method arguments		
No of Args	Argument Type	Argument	No of Args	Argument Type	Argument
1	Input	ContractId	1	Input	ContractId
2	Input	EcbRec	2	Input	contractBalancesRecord
3	Input	ReservedIn1	3	Input	CollateralContext
4	Output	CollateralAmt	4	Output	CollateralDetails
5	Output	Error			
6	Output	ReservedOut2			