

# TPRM Accounting's Cost-Benefits of The Template CR3 Mandatory for All Banks and All Financial Markets Considering the FED Interagency Letter of June 7, 2023, Shared Within BCBS' PSMOR For Interaction Fintech Essential to Take This Step

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## Abstract

The CR3 template is the mechanism by which BCBS has highlighted the terms of transition from the internal ratings-based (IRB) approach to credit risk to the accounting processes of the standard approach of the Basel regulatory framework aiming to improve banks' ability to bear risks by strengthening their solvency and liquidity position as well as their risk management in liaison with corporate third parties. Mandatory for All banks in liaison with third parties, the Template CR3 covers all CRM techniques recognized in the applicable accounting framework. Template CR3 is thus the concept by which the Basel Committee on Banking Supervision (BCBS) popularizes the accounting of banking risks and counterparty credit risk in connection with the third parties considering the following: "The proper identification, collection and treatment of internal loss data are essential prerequisites to capital calculation under the standardized approach." The requirement to abandon the IRB approach (statistics and probabilities) inherited from Basel II which does not mitigate losses is explicit. As BCBS says, "Banks must include all CRM techniques used to reduce capital requirements and disclose all secured exposures, irrespective of whether the standardized or IRB approach is used for Risk-Weighted Assets calculation." The difficulty that all banks face is that "The mapping process used must be clearly documented. Written business line definitions must be clear and detailed enough to allow third parties to replicate the business line mapping. Documentation must, among other things, clearly motivate any exceptions or overrides and be kept on record". The required accounting model has been expected since 2017 with ASC 815 and IFRS 9 standards for hedge accounting. This is also the case with the SEC's Financial Reporting Manual updated on December 31, 2022. Through this paper we provide banks with the Hands-On-Guide for Carrying Value Account Processing resulting from nearly 20 years of research and development by experts and academics from the US, UK, and EU.

**Keywords:** CRM techniques, TPRM accounting, DIS - Disclosure Requirements, RWAs, Fintech cross-cutting interaction.