

Chapter 5

Concentration risk

5.4 Calculation of exposure value (EV)

- 5.4.1** **R** For the purposes of ■ MIFIDPRU 5.5 to ■ MIFIDPRU 5.10, a *firm* must calculate an *exposure value (EV)* for each *client* or *group of connected clients* by adding together the following items:
- (1) the positive excess of the *firm's* long positions over its short positions in all the *trading book financial instruments* issued by the *client* in question, using the approach specified for K-NPR in ■ MIFIDPRU 4.12.2R to calculate the net position for each instrument; and
 - (2) the exposure value of contracts and transactions referred to in ■ MIFIDPRU 4.14.3R with the *client* in question, calculated using the approach specified for K-TCD in ■ MIFIDPRU 4.14.8R.
- 5.4.2** **R** For the purposes of ■ MIFIDPRU 5.4.1R(1), where a *firm* calculates a *K-CMG requirement* in relation to a *portfolio*, it must calculate its net position for the exposures in that *portfolio* using the approach specified for K-NPR in ■ MIFIDPRU 4.12.2R.
- 5.4.3** **R** The *EV* with regard to a *group of connected clients* must be calculated by adding together the exposures to the individual *clients* within the group, which must be treated as a single exposure.
- 5.4.4** **R** When calculating *EVs*, a *firm* must take all reasonable steps to identify underlying assets in relevant transactions and the counterparty of the underlying exposures.