

## Chapter 13

The calculation of  
counterparty risk exposure  
values for financial derivatives,  
securities financing transactions  
and long settlement  
transactions

## 13.2 Unusual Transactions

- 13.2.1** **R** If the calculation of the amount of an *exposure* or of a combination of *exposures* under ■ BIPRU 13 would materially understate the amount of the *counterparty credit risk* the *firm* must increase the amount of the *credit risk capital requirement* by an amount sufficient to compensate for that understatement.
- 13.2.2** **R** If a *firm* in relation to an *exposure* covered by ■ BIPRU 13:
- (1) has an *exposure* of a non-standard type; or
  - (2) an *exposure* that is part of a non-standard arrangement; or
  - (3) has an *exposure* that, taken together with other *exposures* (whether or not they are subject to ■ BIPRU 13), gives rise to a non-standard *counterparty credit risk*; or
  - (4) is subject to the *rule* in ■ BIPRU 13.2.1 R;
- it must notify the *appropriate regulator* as soon as practicable of that fact, the counterparty involved, the nature of the *exposure* or arrangement and the treatment of those *exposures* it has adopted for the purpose of the calculation of the *credit risk capital requirement*.
- 13.2.3** **R** ■ BIPRU 13.2.2 R does not apply to *exposures* which are within the scope of a *firm's CCR internal model method permission*.
- 13.2.4** **R** A *firm* must judge the question of what is non-standard for the purposes of ■ BIPRU 13.2.2 R by reference to the standards:
- (1) prevailing at the time the *rule* is being applied; and
  - (2) of *firms* generally who carry on business which might give rise to *exposures* covered by ■ BIPRU 13 rather than merely by reference to the *firm's* own business.
- 13.2.5** **G** The methodologies which have been developed assume instruments with standard characteristics. There are many examples, however, of instruments which, although based on a standard contract, contain structural features which make the *rules*, as stated, inappropriate. In such circumstances a *firm* should consult the *appropriate regulator*.