

## Chapter 13

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



							Interest rate risk hedging sets					FX risk hedging sets	Equit risk
i	Transaction type		Effective notional	Modified duration	CMV	USD non-gov M<1	USD non-gov M>5	EUR non-gov M<1	EUR non-gov M>5	JPY non-gov M>5	EUR/USD	JPY/USD	DAX
			\$ million	years	\$ million	effective notional x modified duration	effective notional x modified duration	effective notional x modified duration	effective notional x modified duration	effective notional x modified duration	effective notional (+ = long, - = short)	effective notional (+ = long, - = short)	effective notional (+ = long, - = short)
1	USD	IR swap receiver leg	80	8	-6		640						
1	USD	IR swap payer leg	80	-0.25		-20							
2	USD	IR swap receiver leg	300	0.125		37.5							
2	USD	IR swap payer leg	300	-6	2		-1800						
3	EUR	FX swap receiver leg	100	15	0				1500		100		
3	USD	FX swap payer leg	100	-0.125		-12.5							
4	EUR	cross ccy swap receiver leg	60	7	1				420		60		
4	JPY	cross ccy swap payer leg	60	-7						-420		-60	
5	DAX	Total return swap in EUR receiver leg	150	0.125	4			18.75			150		
5	DAX	Total return swap payer leg	150	not applicable									-150

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	Interest rate risk hedging sets					FX risk hedging sets		Equit risk
in EUR								
Sum of risk positions RPT <sub>ij</sub> by hedging set <sub>j</sub>	5	-	18.75	1920	-420	310	-60	-150
		1160						
Absolute amount  sum of RPT <sub>ij</sub>   of risk positions by hedging set <sub>j</sub>	5	1160	18.75	1920	420	310	60	150
Credit conversion factors CCF <sub>j</sub> by hedging set <sub>j</sub>	0.20%	0.20%	0.20%	0.20%	0.20%	250%	250%	7%
CCF <sub>j</sub> x  sum of RPT <sub>ij</sub>  : CCF-weighted absolute amounts of risk positions by hedging set	0.0100	2.3200	0.0375	3.8400	0.8400	7.7500	1.5000	10.5000
Sum of (CCF <sub>j</sub> x  sum of RPT <sub>ij</sub>  )								26.7975
CMV: sum of <i>current market values</i> CMV <sub>i</sub> of the transactions								1.000
Max(CMV, sum of (CCF <sub>j</sub> x  sum of RPT <sub>ij</sub>  ))								26.7975
Beta:								1.4000
EAD								37.5165