Powers exercised

A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):

(1) section 138 (General rule-making power);
(2) section 150(2) (Actions for damages);
(3) section 156 (General supplementary powers); and
(4) section 157(1) (Guidance).

B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force on 31 December 2011.

Amendments to the Handbook

D. The modules of the FSA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

<table>
<thead>
<tr>
<th>(1)</th>
<th>(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Glossary of definitions</td>
<td>Annex A</td>
</tr>
<tr>
<td>General Prudential sourcebook (GENPRU)</td>
<td>Annex B</td>
</tr>
<tr>
<td>Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU)</td>
<td>Annex C</td>
</tr>
<tr>
<td>Supervision manual (SUP)</td>
<td>Annex D</td>
</tr>
</tbody>
</table>

Notes

E. In this instrument, the “notes” (indicated by “Note:”) are included for the convenience of readers but do not form part of the legislative text

Citation

F. This instrument may be cited as the Capital Requirements Directive (Handbook Amendments No 4) Instrument 2011.

By order of the Board
2 November 2011
Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

**all price risk measure**

(in BIPRU 7.10 (Use of a Value at Risk Model)) has the meaning in BIPRU 7.10.116AR (Capital calculations for VaR models), which is, in relation to a **business day**, the **all price risk measure** required under the provisions in BIPRU 7.10 about **specific risk** for the **correlation trading portfolio**.

**correlation trading portfolio**

(in BIPRU 7) a portfolio consisting of **securitisation positions** and nth-to-default credit derivatives that meet the criteria set out at BIPRU 7.2.42AR, or other **positions** which may be included in accordance with BIPRU 7.2.42BR.

**resecuritisation position**

in BIPRU 7 and 9, an exposure to a resecuritisation.

[Note: BCD, Article 4(40b)]

**stressed VaR**

The stressed VaR measure in respect of **positions** coming within the scope of the **VaR model permission**, calculated in accordance with the **VaR model**, BIPRU 7.10 (Use of a Value at Risk Model) and any methodology set out in the **VaR model permission** based on a stressed historical period.

Amend the following as shown.

**credit default swap PRR method**

the **ordinary credit default swap PRR method** or the **securitisation credit default swap PRR method**.

**clean hypothetical profit and loss figure**

(in BIPRU 7.10 (Use of a value at risk model) and in relation to a **business day** the **clean profit and loss figure** that would have occurred for that **business day** if the portfolio on which the **VaR number** for that **business day** is based remained unchanged, as more fully defined in BIPRU 7.10.111R (Backtesting: Hypothetical profit and loss).

**incremental default risk charge**

(in BIPRU 7.10 (Use of a value at risk model)) has the meaning in BIPRU 7.10.116R (Capital calculations for VaR models), which is in summary, in relation to a **business day** **business day**, the incremental default risk charge required under the provisions in BIPRU 7.10 about **specific risk**, in respect of the previous **business day**'s close-of-business **positions** with respect to which those
provisions apply.

**ordinary credit default swap PRR method**
the method for calculating the specific risk portion of the interest rate PRR for credit default swaps that are not securitisation positions set out in BIPRU 7.11.24R to BIPRU 7.11.37R.

**PRA**
Position Risk Adjustment; a percentage applied to a position as part of the process of calculating the PRR in relation to that position as set out in the tables in BIPRU 7.2.44R (Specific risk PRAs), BIPRU 7.2.57R (General market risk PRAs), BIPRU 7.3.30R (Simplified equity method PRAs), BIPRU 7.3.34R (PRAs for specific risk under the standard equity method) and BIPRU 7.6.8R (The appropriate PRA) and also as set out in BIPRU 7.2.46R to 7.2.47R 7.2.48AR to 7.2.48LR.

**clean profit and loss figure**
(in BIPRU 7.10 (Use of a value at risk model) and in relation to a business day) a firm's actual profit or loss for that day in respect of the trading activities within the scope of the firm's VaR model permission, adjusted by stripping out specified items, as more fully defined in BIPRU 7.10.100R (Backtesting: Calculating the clean profit and loss).

**qualifying equity**
a share that satisfies the conditions in BIPRU 7.3.35R (Definition of a qualifying equity).

**resecuritisation**
(in accordance with point 49 of Part 4 of Annex IX of the Banking Consolidation Directive (Ratings based method)) securitisation of securitisation exposures (securitisation having the meaning in paragraph (2) of the definition of securitisation for these purposes) in BIPRU 7 and 9, a securitisation where the risk associated with an underlying pool of exposures is tranched and at least one of the underlying exposures is a securitisation position.

[Note: BCD, Article 4(40a)]

**securitisation credit default swap PRR method**
the method for calculating the specific risk portion of the interest rate PRR for credit default swaps that are securitisation positions set out in BIPRU 7.11.39R to BIPRU 7.11.53R.
Annex B

Amendments to the General Prudential sourcebook (GENPRU)

In this Annex, underlining indicates new text and striking through indicates deleted text.

1.3.3 G (1) In the case of a BIPRU firm, this section implements Article 74 of the Banking Consolidation Directive, Articles 64(4) and 64(5) of the Banking Consolidation Directive (Own funds) and Article 33 and Part B of Annex VII of the Capital Adequacy Directive.

…

1.3.13 R (1) Except to the extent that GENPRU, BIPRU or INSPRU provide for another method of valuation, GENPRU 1.3.14R to GENPRU 1.3.34R (Marking to market, Marking to model, Independent price verification, Adjustments Valuation adjustments or, in the case of an insurer or a UK ISPV, valuation adjustments or reserves) apply:

…

(3) Systems and controls under (2) must include at least the following elements:

(a) documented policies and procedures for the process of valuation, including clearly defined responsibilities of the various areas involved in the determination of the valuation, sources of market information and review of their appropriateness, frequency of independent valuation, timing of closing prices, procedures for adjusting valuations, month-end and ad-hoc verification procedures, and, in the case of a BIPRU firm, guidelines for the use of unobservable inputs reflecting the firm’s assumptions of what market participants would use in pricing the position; and

…

1.3.16 R (1) …

(2) When calculating the current exposure value of a credit risk exposure for counterparty credit risk purposes:
... where the difference between the more prudent side of bid/offer and the mid-market price is material, the firm must consider making adjustments or, in the case of an insurer or a UK ISPV, making adjustments or establishing reserves.

General requirements: Marking to model

1.3.17 R Where marking to market is not possible, a firm must (in the case of a BIPRU firm, conservatively) use mark to model in order to measure the value of the investments and positions to which this rule applies under GENPRU 1.3.13R and GENPRU 1.3.38R to GENPRU 1.3.41R. Marking to model is any valuation which has to be benchmarked, extrapolated or otherwise calculated from a market input. GENPRU 1.3.18R to GENPRU 1.3.25R apply when marking to model.

... General requirements: Valuation adjustments or, in the case of an insurer or a UK ISPV, valuation adjustments or reserves

1.3.29 R The recognition of any gains or losses arising from valuations subject to GENPRU 1.3.13R and GENPRU 1.3.38R to GENPRU 1.3.41R must be recognised for the purpose of calculating capital resources in accordance with GENPRU 1.3.14R to GENPRU 1.3.34R (Marking to market, Marking to model, Independent price verification, Adjustments Valuation adjustments or, in the case of an insurer or a UK ISPV, valuation adjustments or reserves). However, if GENPRU, BIPRU or INSPRU provide for another treatment of such gains or losses, that other treatment must be applied.

1.3.30 R A firm must establish and maintain procedures for considering valuation adjustments or, in the case of an insurer or a UK ISPV, valuation adjustments or reserves. These procedures must be compliant with the requirements set out in GENPRU 1.3.33R.

... 1.3.32 R A firm must consider the need for making adjustments or, in the case of an insurer or a UK ISPV, establishing reserves for less liquid positions and, on an ongoing basis, review their continued appropriateness in accordance with the requirements set out in GENPRU 1.3.33R. Less liquid positions could arise from both markets events and institution-related situations e.g. concentration positions and/or stale positions.

1.3.33 R  

(1)  

(2) A firm must consider the following adjustments or, in the case of an insurer or a UK ISPV, adjustments or reserves: unearned
credit spreads, close-out costs, operational risks, early termination, investing and funding costs, future administrative costs and, where appropriate, model risk.

(3) (a) In the case of a BIPRU firm, a firm must establish and maintain procedures for calculating adjustments to the current valuation of less liquid positions. Those adjustments must, where necessary, be in addition to any changes to the value of the position required for financial reporting purposes and must be designed to reflect the illiquidity of the position.

(b) A firm must consider several factors when determining whether a valuation adjustment or, in the case of an insurer or a UK ISPV, valuation adjustment or reserve is necessary for less liquid positions. These factors include the amount of time it would take to hedge out the position/risks within the position; the average and volatility of bid/offer spreads; the availability of market quotes (number and identity of market makers); the average and volatility of trading volumes; market concentrations; the ageing of positions; the extent to which valuation relies on marking to model and the impact of other model risks.

(4) With regard to complex products including, but not limited to, securitisation exposures and nth-to-default credit derivatives, a BIPRU firm must explicitly consider the need for valuation adjustments for model risk arising from using a valuation which may be incorrect or the risk from using unobservable calibration parameters in the valuation model.

1.3.34 R If the result of establishing making adjustments or, in the case of an insurer or a UK ISPV, making adjustments or establishing reserves under GENPRU 1.3.29R to GENPRU 1.3.33R is a valuation which differs from the fair value determined in accordance with GENPRU 1.3.4R, a firm must reconcile the two valuations.

... Trading book and other fair-valued positions, and revaluations...

1.3.39 R Trading Both trading book positions and other fair-valued positions are subject to prudent valuation rules as specified in GENPRU 1.3.14R to GENPRU 1.3.34R (Marking to market, Marking to model, Independent price verification, Adjustments Valuation adjustments or, in the case of an insurer or a UK ISPV, valuation adjustments or reserves). In accordance with those rules, a firm must ensure that the value applied to each of its trading book positions and other fair-valued positions...
appropriately reflects the current market value. This value must contain an appropriate degree of certainty having regard to the dynamic nature of trading book positions, the demands of prudential soundness and the mode of operation and purpose of capital requirements in respect of trading book positions and other fair-valued positions.

1.3.41  R  (1) For the purposes of GENPRU and INSPRU, an insurer or a UK ISPV must apply GENPRU 1.3.14R to GENPRU 1.3.34R (Marking to market, Marking to model, Independent price verification, Adjustments Valuation adjustments or, in the case of an insurer or a UK ISPV, valuation adjustments or reserves) to account for:

…

…

2.2.237  R  A BIPRU firm calculating risk weighted exposure amounts under the IRB approach or the standardised approach to credit risk must deduct from its capital resources the exposure amount of securitisation positions which receive a risk weight of 1250% under BIPRU 9 (Securitisation), unless the firm includes the securitisation positions in its calculation of risk weighted exposure amounts (see BIPRU 9.10 (Reduction in risk-weighted exposure amounts)) following:

(1) the exposure amount of securitisation positions which receive a risk weight of 1250% under BIPRU 9 (Securitisation), unless the firm includes the securitisation positions in its calculation of risk weighted exposure amounts (see BIPRU 9.10 (Reduction in risk-weighted exposure amounts)); and

(2) the exposure amount of securitisation positions in the trading book that would receive a risk weight of 1250% if they were in the firm’s non-trading book.
Annex C

Amendments to the Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Exposures to regional governments or local authorities: General

3.4.10 R Without prejudice to BIPRU 3.4.15R to BIPRU 3.4.19R:

(1) a firm must risk weight exposures to regional governments and local authorities in accordance with BIPRU 3.4.11R to BIPRU 3.4.14R and BIPRU 3.4.19AR; and

...

3.4.19A R Without prejudice to BIPRU 3.4.17R to BIPRU 3.4.19R, an exposure to a regional government or local authority of an EEA State denominated and funded in the domestic currency of that regional government or local authority must be assigned a risk weight of 20%.

[Note: BCD Annex VI Part 2(b)]

...

Deriving the net position in the correlation trading portfolio

7.2.42A R A correlation trading portfolio may only consist of securitisation positions and nth-to-default credit derivatives that meet the following criteria:

(1) the positions are neither resecuritisation positions, nor options on a securitisation position, nor any other derivatives of securitisation exposures that do not provide a pro-rata share in the proceeds of a securitisation tranche;

(2) all reference instruments are either single-name instruments, including single-name credit derivatives, for which a liquid two-way market exists, or commonly traded indices based on reference entities which meet this criterion;

(3) the positions do not fall under the exposure classes outlined in BIPRU 3.2.9R(8) (retail claims or contingent retail claims) and BIPRU 3.2.9R(9) (claims or contingent claims secured on real estate property); and
(4) the positions do not reference a claim on a special purpose vehicle.

7.2.42B R Positions which are not securitisation positions or nth-to-default credit derivatives may be included in the correlation trading portfolio only if they hedge other such positions in this portfolio and a liquid two-way market exists for the relevant position or its reference entities.

7.2.42C R For the purposes of BIPRU 7.2.42AR(2) and BIPRU 7.2.42BR, a two-way market may be deemed to exist only where there are independent, bona fide offers to buy and sell, so that a price reasonably related to the last sales price or current bona fide competitive bid and offer quotations can be determined within one business day and settled at that price within a relatively short time conforming to trade custom.

7.2.42D R A firm must calculate both the net long and the net short positions in the correlation trading portfolio by applying BIPRU 7.2.36R and BIPRU 7.2.37R or, where applicable, BIPRU 7.11.13R to BIPRU 7.11.17R.

Specific risk calculation

7.2.43 R (1) A firm must calculate the specific risk portion of the interest rate PRR for each debt security by multiplying the market value of the individual net position (ignoring the sign) by the appropriate PRA from the table in BIPRU 7.2.44R or as specified by BIPRU 7.2.45R – BIPRU 7.2.47R or by BIPRU 7.11.13R – BIPRU 7.11.17R.

... (3) For the purpose of (1), a firm may cap the product of multiplying the individual net position by the appropriate PRA at the maximum possible default-risk-related loss. For a short position in a credit derivative, a firm may calculate the maximum possible default-risk-related loss as a change in value due to the underlying names immediately becoming default-risk-free.

... 7.2.46A G BIPRU 7.2.43R includes both actual and notional positions. However, notional positions in a zero-specific-risk security do not attract specific risk. For example:

(1) interest-rate swaps, foreign currency swaps, FRAs, interest-rate futures, foreign-currency forwards, foreign-currency futures, and the cash leg of repurchase agreements and reverse repurchase agreements create notional positions which will not attract specific risk; while
Specific risk: securitisations and resecuritisations

7.2.47 R A securitisation exposure that would be subject to a deduction treatment under the treatment set out in GENPRU 2.2. (Capital resources) or risk weighted at 1250% as set out in BIPRU 9 (Securitisation) is subject to a capital charge that is no less than that set out under those treatments. Unrated liquidity facilities are subject to a capital charge that is no less than that set out in BIPRU 9. [deleted]

7.2.47A G Originators, investors and sponsors of securitisations in the trading book will have to meet the requirements of BIPRU 9.3.1AR, BIPRU 9.3.15R to BIPRU 9.3.20R and BIPRU 9.15. [deleted]

7.2.47B G Subject to BIPRU 7.2.47CG, BIPRU 9.15.9R and BIPRU 9.15.10R, where the investor, originator or sponsor of a securitisation fails to meet any of the requirements in BIPRU 9.3.18R to BIPRU 9.3.20R (Disclosure requirements) and BIPRU 9.15.11R to BIPRU 9.15.16R (Investor due diligence requirements) in any material respect by reason of its negligence or omission, the FSA will use its powers under section 45 (Variation etc. on the Authority’s own initiative) of the Act to impose an additional capital charge of no less that 250% (capped at 1250%) of the PRR that would otherwise apply to the relevant securitisation positions under the rules in BIPRU 7.2. The additional capital charge imposed will be progressively increased with each relevant, subsequent infringement of the requirements in BIPRU 9.3.18R to BIPRU 9.3.20R and BIPRU 9.15.11R to BIPRU 9.15.16R. [deleted]

7.2.47C G When calculating the additional capital charge it will impose under BIPRU 7.2.47BG, the FSA will take into account the exemption of certain securitisations from the scope of BIPRU 9.15.3R under BIPRU 9.15.9R and BIPRU 9.15.10R and, if those exemptions are relevant, reduce the capital charge it would otherwise impose. [deleted]

7.2.48 G BIPRU 7.2.43R includes both actual and notional positions. However, notional positions in zero specific risk security do not attract specific risk. For example:

(1) interest rate swaps, foreign currency swaps, FRAs, interest rate futures, foreign currency forwards, foreign currency futures, and the cash leg of repurchase agreements and reverse repurchase agreements create notional positions which will not attract specific risk; whilst

(2) futures, forwards and swaps which are based on the price (or yield) of one or more debt securities will create at least one notional position that attracts specific risk. [deleted]
7.2.48A R  (1) Subject to (3), a firm must calculate the specific risk portion of the interest rate PRR for each securitisation and resecuritisation position by multiplying the market value of the individual net position (ignoring the sign) by the appropriate PRA from the table in BIPRU 7.2.48DR or BIPRU 7.2.48ER, or in accordance with BIPRU 7.2.48FR, as applicable.

(2) In calculating the specific risk capital charge of an individual net securitisation or resecuritisation position, a firm may cap the product of the weight and the individual net position at the maximum possible default-risk-related loss. For a short position, that limit may be calculated as a change in value due to the underlying names immediately becoming default-risk-free.

(3) For a transitional period ending on 31 December 2013, where a firm holds securitisation and resecuritisation positions, other than positions included in the correlation trading portfolio, it must calculate:

(a) the total specific risk capital charges that would apply just to the net long positions; and

(b) the total specific risk capital charges that would apply just to the net short positions.

The total specific risk capital charge for securitisation and resecuritisation positions will be the higher of (3)(a) and (3)(b).

7.2.48B R  The firm must report to the FSA the total sum of its weighted net long and net short securitisation and resecuritisation positions, broken down by types of underlying assets.

7.2.48C R  When calculating the PRR of a protection seller in securitisation and resecuritisation credit derivatives, a firm must apply BIPRU 7.11.3R.

7.2.48D R  Table: specific risk PRAs – standardised approach

<table>
<thead>
<tr>
<th>Credit quality step</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4 (only for credit assessments other than short-term credit assessments)</th>
<th>All other credit quality steps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securitisations</td>
<td>1.6%</td>
<td>4%</td>
<td>8%</td>
<td>28%</td>
<td>100%</td>
</tr>
<tr>
<td>Resecuritisations</td>
<td>3.2%</td>
<td>8%</td>
<td>18%</td>
<td>52%</td>
<td>100%</td>
</tr>
</tbody>
</table>
A firm may only apply the PRAs in this table where it would have to calculate a risk weighted exposure amount in accordance with the standardised approach to securitisation and resecuritisation positions if such positions were in its non-trading book under BIPRU 9. The appropriate PRA is calculated as 8% of the risk weight that would apply to the position under the standardised approach in BIPRU 9.11.2R, subject to the requirements of BIPRU 9.9 to BIPRU 9.11, where appropriate.

7.2.48E R Table: specific risk PRAs – IRB approach

<table>
<thead>
<tr>
<th>Credit Quality Step</th>
<th>Securitisation positions</th>
<th>Resecuritisation positions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>1</td>
<td>0.56%</td>
<td>0.96%</td>
</tr>
<tr>
<td>2</td>
<td>0.64%</td>
<td>1.20%</td>
</tr>
<tr>
<td>3</td>
<td>0.8%</td>
<td>1.44%</td>
</tr>
<tr>
<td>4</td>
<td>0.96%</td>
<td>1.6%</td>
</tr>
<tr>
<td>5</td>
<td>1.60%</td>
<td>2.8%</td>
</tr>
<tr>
<td>6</td>
<td>2.8%</td>
<td>4%</td>
</tr>
<tr>
<td>7</td>
<td>4.8%</td>
<td>6%</td>
</tr>
<tr>
<td>8</td>
<td>8%</td>
<td>16%</td>
</tr>
<tr>
<td>9</td>
<td>20%</td>
<td>24%</td>
</tr>
<tr>
<td>10</td>
<td>34%</td>
<td>40%</td>
</tr>
<tr>
<td>11</td>
<td>52%</td>
<td>60%</td>
</tr>
<tr>
<td>all other unrated</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

A firm may only apply the PRAs in this table where it would have to calculate a risk weighted exposure amount in accordance with the IRB approach to securitisation and resecuritisation positions if such positions were in its non-trading book under BIPRU 9. The appropriate PRA is calculated as 8% of the risk weight that would apply to the position under the IRB approach in BIPRU 9.12.11R, subject to the requirements in BIPRU 9.12 where appropriate.

7.2.48F R (1) A firm may use the supervisory formula method to calculate the
appropriate PRA for specific risk where:

(a) the firm is permitted to apply the supervisory formula method to the same position if it was held in its non-trading book in accordance with BIPRU 9.12; or

(b) otherwise, the firm is expressly permitted by its VaR model permission to apply the supervisory formula method to calculate the appropriate PRA for specific risk.

(2) The appropriate PRA under the supervisory formula method must be calculated by multiplying the risk weight calculated according to BIPRU 9.12.21R by 8%.

(3) Where relevant, estimates of PDs and LGDs as inputs to the supervisory formula method must be determined in accordance with BIPRU 4.

(4) Where expressly permitted by its VaR model permission, a firm may use the approach outlined in BIPRU 7.10.55AR to BIPRU 7.10.55SR (Incremental Risk Charge) to determine PDs and LGDs as inputs to the supervisory formula method.

7.2.48G R Where a securitisation position in the trading book is subject to an increased risk weight in accordance with BIPRU 9.15, the appropriate PRA must be calculated as 8% of the risk weight that would apply to the position in accordance with BIPRU 9.15.

7.2.48H G Originators, investors and sponsors of securitisations in the trading book will have to meet the requirements of BIPRU 9.3.1AR, BIPRU 9.3.15R to BIPRU 9.3.20R and BIPRU 9.15.

7.2.48I G (1) Subject to BIPRU 7.2.48JG, BIPRU 9.15.9R and BIPRU 9.15.10R, where the investor, originator or sponsor of a securitisation fails to meet any of the requirements in BIPRU 9.3.18R to BIPRU 9.3.20R (Disclosure requirements) and BIPRU 9.15.11R to BIPRU 9.15.16R (investor due diligence requirements) in any material respect by reason of its negligence or omission, the FSA will use its powers under section 45 (Variation etc. on the Authority’s own initiative) of the Act to impose an additional capital charge in accordance with BIPRU 7.2.48GR. The additional capital charge imposed will be progressively increased with each relevant, subsequent infringement of the requirements in BIPRU 9.3.18R to BIPRU 9.3.20R and BIPRU 9.15.11R to BIPRU 9.15.16AR, up to a maximum of 1250% risk weight.
Subject to BIPRU 9.3.22G, BIPRU 9.15.9R and BIPRU 9.15.10R, where a credit institution fails to meet in any material respect the requirements in BIPRU 9.15.16AR (Group level requirements), the FSA may consider using its powers under section 45 (Variation etc on the Authority's own initiative) of the Act in the manner described in (1). In order to calculate the risk weights that would apply to the credit institution, the FSA may treat the securitisation investments of the subsidiary undertaking as if they were securitisation positions held directly by the credit institution.

When calculating the additional capital charge it will impose under BIPRU 7.2.48GR, the FSA will take into account the exemption of certain securitisations from the scope of BIPRU 9.15.3R under BIPRU 9.15.9R and BIPRU 9.15.10R and, if those exemptions are relevant, it will reduce the capital charge it would otherwise impose.

A securitisation exposure in the trading book that would be subject to deduction in accordance with GENPRU 2.2. (Capital resources) or to a 1250% risk weight in accordance with BIPRU 9 (Securitisation) is subject to a capital charge that is no less than that set out under those provisions, capped at the maximum possible default-risk-related loss. Unrated liquidity facilities are subject to a capital charge that is no less than that set out in BIPRU 9.

Specific risk: correlation trading portfolio

Where a firm holds a position in the correlation trading portfolio, it must calculate:

(a) The total specific risk capital charges that would apply just to the net long positions of the correlation trading portfolio; and

(b) The total specific risk capital charges that would apply just to the net short positions of the correlation trading portfolio.

The higher of (1)(a) and (1)(b) will be the specific risk capital charge for the correlation trading portfolio.

In calculating the specific risk capital charge of an individual net position in the correlation trading portfolio, a firm may cap the product of multiplying the individual net position by the appropriate PRA at the maximum possible default-risk-related loss. For a short position, a firm may calculate the maximum possible default-risk-related loss as a change in value due to the underlying names immediately becoming default-risk-free.
7.3.30 R  Table: simplified equity method PRAs

This table belongs to BIPRU 7.3.29R

<table>
<thead>
<tr>
<th>Instrument</th>
<th>PRA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single equities</td>
<td>12% 16%</td>
</tr>
<tr>
<td>Qualifying equity indices (see BIPRU 7.3.38R)</td>
<td>8%</td>
</tr>
<tr>
<td>All other equity indices or baskets</td>
<td>12% 16%</td>
</tr>
</tbody>
</table>

If it is necessary to distinguish between the specific risk PRA and the general market risk PRA, the specific risk PRA for the first and third rows is 12% and that for the second row is 0%. The rest of the PRA in the second column is the general market risk PRA.

7.3.34 R  Table: PRAs for specific risk under the standard equity method

This table belongs to BIPRU 7.3.33R

<table>
<thead>
<tr>
<th>Instrument</th>
<th>PRA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualifying equities</td>
<td>2%</td>
</tr>
<tr>
<td>Qualifying equity indices (see BIPRU 7.3.38R)</td>
<td>0%</td>
</tr>
<tr>
<td>All other equities, and other equity indices or equity baskets.</td>
<td>4% 8%</td>
</tr>
</tbody>
</table>

Definition of a qualifying equity

7.3.35 R  A qualifying equity is one that satisfies the following conditions:

1. it belongs to a country portfolio that satisfies the following conditions:
   (a) no individual position exceeds 10% of the portfolio’s gross value; and
   (b) the sum of positions (ignoring the sign) which individually represent between 5% and 10% of the portfolio’s gross value, does not exceed 50% of the portfolio’s gross value;

2. it is not of an issuer that has issued only traded debt securities that currently attracts an 8% or 12% PRA in the table in BIPRU 7.2.44R (Specific risk PRA) or that attracts a lower requirement only because they are guaranteed or secured; and
it is a constituent of an index in the table in BIPRU 7.3.39R. [deleted]

The following example illustrates BIPRU 7.3.35R(1).

A country portfolio has a gross value of £100 and is made up of positions in 29 different equities (some are long positions, others are short positions). Not all the equities are constituents of an index used to create the FT All-World Index (this criterion only becomes relevant once a firm has determined whether the country portfolio meets the test in BIPRU 7.3.35R(1)).

Six positions exceed the 5% threshold. The following diagram shows the composition of the portfolio.

Part (a): the portfolio meets the first part of the test because no individual position is worth more than 10% of the portfolio’s value.

Part (b): the portfolio fails the second part of the test because the sum (ignoring the sign) of the six relevant positions is £52; this exceeds 50% of the portfolio’s value. [deleted]

A country portfolio can be split into two sub-portfolios if this enables one sub-portfolio to meet the requirements in BIPRU 7.3.35R(1). Individual positions may be sub-divided between sub-portfolios.

Continuing the example above, one of the largest positions is taken out of the portfolio and put into a new portfolio. The new portfolio fails the two tests, but the amended portfolio meets both tests:

(a) Part (a): no single remaining position exceeds £9.10.

(b) Part (b): the sum of the five relevant positions is £43, this is less that 50% of the new portfolio’s value of £91. [deleted]

[Diagram deleted]

Stressed VaR must be calculated at least weekly, using a 99% one-tailed confidence limit.

The stressed VaR measure must be based on inputs calibrated to historical data from a continuous twelve-month period of significant financial stress.
relevant to the firm’s portfolio. The choice of that historical period will be subject to the FSA’s approval and will form part of a firm’s VaR model permission.

7.10.30B R A firm must review the selection of the stressed VaR historical observation period at least annually.

…

7.10.35 G The minimum updating frequency for the current VaR measure that can be specified in a VaR model permission is quarterly monthly.

…

7.10.39A R A firm must incorporate risk factors that are included in its pricing model in its VaR model. A firm’s VaR model must capture nonlinearities for options and other products, as well as correlation risk and basis risk. Where proxies for risk factors are used they must show a good track record for the actual position held. In addition, BIPRU 7.10.40R to BIPRU 7.10.44R apply for individual risk types.

7.10.39B R A firm with a VaR model permission must justify to the FSA any omissions of risk factors from its VaR model, if they are included in its pricing model.

…

7.10.46 R …

(7) In addition to the other requirements in BIPRU 7.10, a firm must have an approach in place to capture, in the calculation of its capital requirements, the default risk incremental risk charge of its trading book positions that is incremental to the default and migration risk captured by the VaR measures, as specified in this rule, BIPRU 7.10.48R, BIPRU 7.10.49R, BIPRU 7.10.55AR to BIPRU 7.10.55SR and BIPRU 7.10.107R (Backtesting: Specific risk backtesting).

(8) A firm must be able to demonstrate that the approach referred to in (7) meets soundness standards comparable to the approach set out in BIPRU 4 (The IRB approach), under the assumption of a constant level of risk, and adjusted where appropriate to reflect the impact of liquidity, concentrations, hedging and optionality. [deleted]

…

7.10.48 R (1) Where a firm is subject to event risk that is not reached in its VaR measure, because it is beyond the 10-day holding period and 99 percent confidence interval (low probability and high severity events), the firm must ensure that the impact of such
events is factored into its internal capital assessment. [deleted]

(2) ... 

7.10.50 R To avoid double counting capital requirements under BIPRU 7.10.46R(7) a firm may, when calculating its incremental default charge, take into account the extent to which default risk has already been incorporated into the VaR calculation, especially for risk positions that could and would be closed within 10 business days in the event of adverse market conditions or other indications of deterioration in the credit environment. Where a firm captures its incremental default risk through a surcharge, it must have in place methodologies for validating the measure. [deleted]

7.10.51 R A firm that does not capture the incremental default risk through an internally developed approach must calculate the surcharge through an approach consistent with either the standardised approach to credit risk or the IRB approach. [deleted]

7.10.52 R With respect to securitisation exposures that would be subject to a deduction treatment in the calculation of its capital resources or risk weighted at 1250% as set out in BIPRU 9, these positions (cash or synthetic) are subject to a capital charge that is no less than set forth under that treatment. A firm that is a dealer in these exposures may apply a different treatment where it could demonstrate to the FSA, in addition to trading intent, that a liquid two-way market exists for the securitisation exposures or, in the case of synthetic securitisation that rely solely on credit derivatives, for the securitisation exposures themselves or all their constituent risk components. For the purposes of this rule a two-way market is deemed to exist where there are independent good faith offers to buy and sell so that a price reasonably related to the last sales price or current good faith competitive bid and offer quotations can be determined within one day and settled at such a price within a relatively short time conforming to trade custom. For a firm to apply a different treatment, it must have sufficient market data to ensure that it fully captures the concentrated default risk of these exposures in its internal approach for measuring the incremental default risk in accordance with the VaR specific risk minimum requirements. [deleted]

... Incremental risk charge: Scope and parameters

7.10.55A R A firm must demonstrate that its incremental risk charge meets soundness standards comparable to those under the IRB approach, assuming a constant level of risk and adjusted, where appropriate, to reflect the impact of liquidity, concentrations, hedging and optionality.

7.10.55B R The incremental risk charge must cover all positions which are subject to a capital charge for interest-rate specific risk in accordance with the
firm’s VaR model permission, except securitisation positions and nth-to-default credit derivatives. Where permitted by its VaR model permission, a firm may choose consistently to include all listed equity positions and derivatives positions based on listed equities for which that inclusion is consistent with how the firm internally measures and manages risk, but the approach must reflect the impact of correlations between default and migration events, and it must not reflect the impact of diversification between default and migration events and other market risk factors.

7.10.55C R The firm’s approach to capture the incremental risk charge must measure losses due to default and internal or external ratings migration at the 99.9% confidence interval over a capital horizon of one year.

7.10.55D R The firm’s correlation assumptions must be supported by the analysis of objective data in a conceptually sound framework. The approach to capture the incremental risk charge must appropriately reflect issuer concentrations. Concentrations that can arise within and across product classes under stressed conditions must also be reflected.

7.10.55E R The firm’s approach must be based on the assumption of a constant level of risk over the one-year capital horizon, implying that given individual trading book positions or sets of positions that have experienced default or migration over their liquidity horizon are re-balanced at the end of their liquidity horizon to attain the initial level of risk. Alternatively, a firm may choose consistently to use a one-year constant position assumption.

Incremental risk charge: Liquidity horizons

7.10.55F R (1) The firm’s liquidity horizons for calculating incremental risk charge must be set according to the time required to sell the position or to hedge all material and relevant price risks in a stressed market, having particular regard to the size of the position.

(2) Liquidity horizons must reflect actual practice and experience during periods of both systematic and idiosyncratic stresses. The liquidity horizon must be measured under conservative assumptions and must be sufficiently long that the act of selling or hedging, in itself, would not materially affect the price at which the selling or hedging would be executed.

7.10.55G R The determination of the appropriate liquidity horizon for a position or set of positions is subject to a floor of three months. The determination of the appropriate liquidity horizon for a position or set of positions must take into account a firm’s internal policies relating to valuation adjustments and the management of stale positions.

7.10.55H R When a firm determines liquidity horizons for sets of positions rather than for individual positions, the criteria for defining sets of positions must be defined in a way that meaningfully reflects differences in liquidity. The
liquidity horizons must be greater for positions that are concentrated, reflecting the longer period needed to liquidate those positions.

7.10.55I R The liquidity horizon for a securitisation warehouse must reflect the time to build, sell and securitise the assets, or to hedge the material risk factors, under stressed market conditions.

Incremental risk charge: Hedges

7.10.55J R (1) Hedges may be incorporated into the calculation of a firm’s incremental risk charge. Positions may be netted only when long and short positions refer to the same financial instrument.

(2) Hedging or diversification effects associated with long and short positions involving different instruments or different securities of the same obligor, as well as long and short positions in different issuers, may only be recognised by explicitly modelling gross long and short positions in the different instruments.

(3) A firm must reflect the impact of material risks that could occur during the interval between the hedge’s maturity and the liquidity horizon, as well as the potential for significant basis risks in hedging strategies by product, seniority in the capital structure, internal or external rating, maturity, vintage and other differences in the instruments. A firm must reflect a hedge only to the extent that it can be maintained even as the obligor approaches a credit or other event.

7.10.55K R For trading book positions that are hedged via dynamic hedging strategies, a rebalancing of the hedge within the liquidity horizon of the hedged position may be recognised only if the firm:

(1) chooses to model rebalancing of the hedge consistently over the relevant set of trading book positions;

(2) demonstrates that the inclusion of rebalancing results in a better risk measurement;

(3) demonstrates that the markets for the instruments serving as hedges are liquid enough to allow for this rebalancing even during periods of stress; and

(4) reflects in the capital charge any residual risks resulting from dynamic hedging strategies.

Incremental risk charge: Nonlinear positions and model risk

7.10.55L R (1) The incremental risk charge must reflect the nonlinear impact of options, structured credit derivatives and other positions with material nonlinear behaviour with respect to price changes.
(2) The firm must also consider the amount of model risk inherent in the valuation and estimation of price risks associated with those products.

7.10.55M R The incremental risk charge must be based on objective and up-to-date data.

Incremental risk charge: Validation

7.10.55N R A firm must validate its approach to incremental risk charge. In particular, a firm must:

(1) validate that its modelling approach for correlations and price changes is appropriate for its portfolio, including the choice and weights of its systematic risk factors;

(2) perform a variety of stress tests (not limited to the range of events experienced historically), including sensitivity analysis and scenario analysis, to assess the qualitative and quantitative reasonableness of the approach, with particular regard to the treatment of concentrations; and

(3) apply appropriate quantitative validation including relevant internal modelling benchmarks.

7.10.55O R A firm’s approach for incremental risk charge must be consistent with the firm’s internal risk management methodologies for identifying, measuring, and managing trading risks.

Incremental risk charge: Documentation and frequency of calculation

7.10.55P R A firm must document its approach for the incremental risk charge clearly, setting out its correlation and other modelling assumptions.

7.10.55Q R A firm must calculate its incremental risk charge at least weekly.

Incremental risk charge: Internal approaches based on different parameters

7.10.55R R A firm may use an approach for incremental risk charge that does not comply with all the requirements in BIPRU 7.10.55AR to BIPRU 7.10.55PR, only if:

(1) such an approach is consistent with the firm’s internal methodologies for identifying, measuring, and managing risks; and

(2) the firm can demonstrate that its approach results in a capital requirement that is at least as high as it would be if based on an approach in full compliance with the requirements in BIPRU 7.10.55AR to BIPRU 7.10.55PR.
7.10.55G The FSA will review at least annually any approach taken by the firm under BIPRU 7.10.55RR.

All price risk measure: General requirements

7.10.55T As part of its VaR model permission, the FSA may authorise a firm to use the all price risk measure to calculate an additional capital charge in relation to positions in its correlation trading portfolio if it meets the following minimum standards:

(1) it adequately captures all price risks at a 99.9% confidence interval over a capital horizon of one year under the assumption of a constant level of risk, and adjusted, where appropriate, to reflect the impact of liquidity, concentrations, hedging and optionality;

(2) it adequately captures the following risks:

(a) the cumulative risk arising from multiple defaults, including the ordering of defaults, in tranched products;

(b) credit spread risk, including the gamma and cross-gamma effects;

(c) volatility of implied correlations, including the cross effect between spreads and correlations;

(d) basis risk, including both:

(i) the basis between the spread of an index and those of its constituent single names; and

(ii) the basis between the implied correlation of an index and that of bespoke portfolios;

(e) recovery-rate volatility, as it relates to the propensity for recovery rates to affect tranche prices; and

(f) to the extent that the all price risk measure incorporates benefits from dynamic hedging, the risk of hedge slippage and the potential costs of rebalancing those hedges.

7.10.55U The amount of the capital charge for the correlation trading portfolio calculated in accordance with the all price risk measure must not be less than 8% of the capital charge that would result from applying BIPRU 7.2.48LR to all positions in the correlation trading portfolio subject to the all price risk measure.

7.10.55V A firm may include in its all price risk measure positions that are jointly
managed with positions in the correlation trading portfolio and would otherwise be included in the incremental risk charge. In that case, the firm must exclude these positions from the calculation of its incremental risk charge.

7.10.55W  R  A firm must have sufficient market data to ensure that it fully captures the salient risks of the positions in its all price risk measure in accordance with the standards set out in BIPRU 7.10.55TR.

7.10.55X  R  A firm must demonstrate through backtesting or other appropriate means that its all price risk measure can appropriately explain the historical price variation of these positions. A firm must be able to demonstrate to the FSA that it can identify the positions within its correlation trading portfolio, in relation to which it is authorised to use the all price risk measure, separately from those other positions in relation to which it is not authorised to do so.

7.10.55Y  R  A firm must calculate the capital charge under the all price risk measure at least weekly.

All price risk measure: Stress testing

7.10.55Z  R  (1) For positions within its correlation trading portfolio in relation to which a firm may use the all price risk measure, a firm must regularly apply a set of specific, predetermined stress scenarios. These stress scenarios must examine the effects of stress to default rates, recovery rates, credit spreads, and correlations on the profit and loss of the correlation trading portfolio.

(2) A firm must apply the stress scenarios in (1) at least weekly and report the results to the FSA in accordance with BIPRU 7.10.129R.

7.10.55Z  R  A If the results of the stress tests carried out in accordance with BIPRU 7.10.55ZR indicate a material shortfall in the amount of capital required under the all price risk measure, a firm must notify the FSA of this circumstance by no later than two business days after the business day on which the material shortfall occurred.

7.10.55Z  G  B The FSA may use its powers under section 45 (Variation etc. on the Authority’s own initiative) of the Act to impose on the firm a capital add-on to cover the material shortfall reported under BIPRU 7.10.55ZAR.

7.10.55Z  G  C The all price risk measure is based on the incremental risk charge. Therefore, when applying the all price risk measure, a firm should have regard to the requirements in BIPRU 7.10.55AR to BIPRU 7.10.55RR.

…

7.10.90A  R  A firm must also carry out reverse stress tests.
7.10.93 G Backtesting conducted only at a whole portfolio level using a single measure of profit and loss has limited power to distinguish an accurate VaR model from an inaccurate one. Backtesting should therefore be regarded as an additional safeguard rather than a primary validation tool. Such testing does however form the basis of the FSA's plus factor system. The test has been chosen as the basis of the backtesting regime because of its simplicity. A firm will therefore be expected to complement this backtesting with more granular backtesting analysis and involving more than one measure of profit and loss (i.e. both a clean profit and loss figure and a clean hypothetical profit and loss figure).

7.10.94 R A firm must have the capacity to analyse and compare its clean profit and loss figures and clean hypothetical profit and loss figures to the VaR measure, both at the level of the whole portfolio covered by the VaR model permission and at the level of individual books that contain material amounts of risk.

7.10.94A R At a minimum, backtesting of hypothetical profit and loss figures must be used for regulatory backtesting and also to calculate plus factors.

7.10.95 G Clean profit and loss backtesting should be used for regulatory backtesting and used to calculate plus factors. Hypothetical profit and loss backtesting Backtesting of hypothetical profit and loss figures is also used for model validation and for reporting to the FSA.

Backtesting: Basic testing requirements

7.10.96 R At a minimum, a firm must, on each business day, compare each of its 250 most recent business day’s clean profit and loss figures hypothetical profit and loss figures (ending with the business day preceding the business day in question) with the corresponding one-day VaR measures.

Backtesting: Calculating the clean profit and loss

7.10.99 G The ultimate purpose of backtesting is to assess whether capital is sufficient to absorb actual losses. Therefore backtesting should be performed using a measure of actual daily profit and loss. Actual daily profit and loss means the day’s profit and loss arising from trading activities within the scope of the VaR model permission. This measure should, however, be ‘cleaned’ using BIPRU 7.10.100R inclusion in profit and loss of non-modelled factors.

7.10.100 R The clean profit and loss figure for a particular business day is the firm’s actual profit or loss for that day in respect of the trading activities within the scope of the firm's VaR model permission, adjusted by stripping out:

(1) fees and commissions;
(2) brokerage;

(3) additions to and releases from reserves which are not directly related to market risk (e.g. administration reserves); and

(4) any inception profit exceeding an amount specified for this purpose in the firm's VaR model permission (where inception profit is defined as any profit arising immediately on entering into a new transaction).

7.10.101 The definition of clean profit and loss figure may be amended or replaced in an individual VaR model permission if the firm can demonstrate to the FSA that the alternative method meets the spirit and purpose of the provisions in BIPRU 7.10 about the clean profit and loss figure.

7.10.102 The FSA will review as part of a firm's VaR model permission application the processes and documentation relating to the derivation of profit and loss used for backtesting. A firm's documentation should clearly set out the basis for cleaning profit and loss. To the extent that certain profit and loss elements are not updated every day (for example certain reserve calculations) the documentation should clearly set out how such elements are included in the clean profit and loss series.

Backtesting: Definition of backtesting exception

7.10.103 A backtesting exception is deemed to have occurred for any business day if the clean profit and loss figure shows a loss, which in absolute magnitude exceeds the one-day VaR measure for that business day. The only exception is if that business day is identified in the firm's VaR model permission as giving rise to an excluded backtesting exception.

Backtesting: Hypothetical profit and loss

7.10.111 A firm must also perform backtesting against a clean hypothetical profit and loss figure with respect to each business day. A clean hypothetical profit and loss figure for a business day means the clean profit and loss figure hypothetically that would have occurred for that business day if the portfolio on which the VaR number for that business day is based remained unchanged.

7.10.112 (1) A clean hypothetical profit and loss figure is based on the day’s change in the value of the same portfolio that was used to generate the value-at-risk forecast.

(2) Backtesting under BIPRU 7.10.111, although carried out with respect to each business day, need not be carried out each day. A firm need only carry it out sufficiently frequently to comply
with its reporting requirements under BIPRU 7.10.129R. An exception arising out of such backtesting need not be reported to the FSA under BIPRU 7.10.104R. [deleted]

(3) The firm may also need to calculate a clean hypothetical profit and loss figure in order to produce profit attribution reports and to analyse the cause of backtesting exceptions.

Capital calculations: General

7.10.112 R The model PRR is, for any business day (the “relevant” business day), calculated in accordance with the following formula:

(1) …

(2) (in the case of a VaR model permission that covers specific risk) the incremental default risk charge for the relevant business day higher of:

(a) the incremental risk charge for the relevant business day; and

(b) the average of the twelve-week incremental risk charge; and

(3) the higher of:

(a) the latest stressed VaR number; and

(b) the average of the firm’s daily stressed VaR numbers for the 60 business days ending with the relevant business day, multiplied by the multiplication factor applied to the stressed VaR measure for the relevant business day; and

(4) (in the case of a VaR model permission that covers all price risk measure) the higher of:

(a) the all price risk measure for the relevant business day; and

(b) the average of the twelve-week all price risk measure.

…
The incremental default risk charge for any business day means the incremental risk charge required under the provisions in BIPRU 7.10 about specific risk, in respect of the previous business day’s close-of-business positions with respect to which those provisions apply.

The all price risk measure for any business day means the all price risk measure required under the provisions in BIPRU 7.10 about specific risk for the correlation trading portfolio.

The following equation expresses BIPRU 7.10.113R mathematically:

\[
\frac{\text{PBR}_{i,\text{m}}}{\text{f}} = \text{Max} \left\{ \text{Var}, \frac{1}{z} \text{Var}, \frac{1}{y} \text{Var} \right\} + \text{Max} \left\{ \text{SVAR}, \frac{1}{z} \text{SVAR}, \frac{1}{y} \text{SVAR} \right\} + \text{Max} \left\{ \text{IRC}, \frac{1}{z} \text{IRC}, \frac{1}{y} \text{IRC} \right\} + \text{Max} \left\{ \text{APR}, \frac{1}{z} \text{APR}, \frac{1}{y} \text{APR} \right\}
\]

... (4)

\( f \) is the multiplication factor for \( \text{Var} \); and

(5) \( \text{IDRC} \) is the incremental default risk charge (if applicable).

(6) \( \text{SVAR}_{t-i} \) represents the latest stressed \( \text{Var} \) figure;

(7) \( s \) is the multiplication factor for stressed \( \text{Var} \);

(8) \( v \) is the number of times the stressed \( \text{Var} \) was calculated in the last 60 business days;

(9) \( \text{IRC}_{t} \) represents the latest incremental risk charge;

(10) \( \text{IRC}_{t-i} \) represents the incremental risk charge calculated for \( i \) business days earlier;

(11) \( z \) is the number of times the incremental risk charge was calculated in the last 12 weeks;

(12) \( \text{APR}_{t} \) represents the latest all price risk measure;

(13) \( \text{APR}_{t-i} \) represents the all price risk measure calculated for \( i \) business days earlier; and

(14) \( w \) is the number of times the all price risk measure was calculated in the last 12 weeks.

Capital calculations: Multiplication factors
for that day.

7.10.119 R The minimum multiplication factor, for VaR and stressed VaR, is three or any higher amount the VaR model permission defines as.

7.10.120 G The minimum multiplication factor, for VaR and stressed VaR, will never be less than three. If the FSA does set the minimum multiplication factor, for VaR and stressed VaR, above three the VaR model permission will have a table that sets out the reasons for that add on and specify how much of the add on is attributable to each reason (see BIPRU 7.10.121R). If there are weaknesses in the VaR model that may otherwise be considered a breach of the minimum standards referred to in BIPRU 7.10.42R the FSA may apply such an add on to act as a mitigant for those weaknesses.

7.10.121 R Something that would otherwise be a breach of the minimum standards in BIPRU 7.10.26R – BIPRU 7.10.53R is not a breach to the extent that that thing is identified in the firm’s VaR permission as a reason for an increase in the minimum multiplication factor, for VaR and stressed VaR, above 3.

7.10.124 R The table in BIPRU 7.10.125R sets out the plus factors to be added to the minimum multiplication factor, for VaR and stressed VaR, for any business day. It is based on the number of backtesting exceptions that occurred during the backtesting period as referred to in BIPRU 7.10.96R (Backtesting: Basic Backtesting requirements) ending three business days preceding the business day for which the model PRR is being calculated.

7.10.129 R A firm must, no later than the number of business days after the end of each quarter specified in the VaR model permission for this purpose, submit, in respect of that quarter, a report to the FSA about the operation of the VaR model, the systems and controls relating to it and any changes to the VaR model and those systems and controls. Each report must outline as a minimum the following information in respect of that quarter:

(3) a summary of backtesting performance against clean profit and loss figures (if calculated) and clean hypothetical profit and loss figures, which must be provided in electronic format as stipulated by the VaR model permission;

(9) an up-to-date list of products covered by the VaR model permission showing all changes made since the VaR model
permission was granted; and

(10) where applicable (nil returns are not required), details of:

…

(f) the VaR model not accurately capturing risks (as referred to in BIPRU 7.10.53R) and any steps taken under BIPRU 7.10.53R; and

(11) the results of the stress tests on the firm’s correlation trading portfolio under BIPRU 7.10.55ZR, including a comparison to the current capital charge.

7.10.130 R A firm must provide to, and discuss with, the FSA details of any significant planned changes to the VaR model before those changes are implemented. These details must include information about the nature of the change and an estimate of the impact on VaR numbers and the incremental default risk charge.

…

7.10.136 R (1) …

(2) If Subject to BIPRU 7.10.136AR, if, where the standard market risk PRR rules apply, a position is subject to a PRR charge and the firm’s VaR model permission says that it covers the risks to which that PRR charge relates, the firm must, for those risks, calculate the PRR for that position under the VaR model approach rather than under the standard market risk PRR rules.

…

7.10.136 R A firm must calculate the market risk capital requirement for securitisation positions and positions in the correlation trading portfolio in accordance with the standard market risk PRR rules, with the exception of those positions subject to the all price risk measure.

…

7.11.3 R (1) When calculating the PRR of the protection seller, unless specified differently by other rules and subject to (2), the notional amount of the credit derivative contract must be used. For the purpose of calculating the specific risk PRR charge, other than for total return swaps, the maturity of the credit derivative contract is applicable instead of the maturity of the obligation.

(2) When calculating the PRR of the protection seller, a firm may choose to replace the notional value of the credit derivative by the notional value adjusted for changes in the market value of
the credit derivative since trade inception.

7.11.11 R If a first or second asset to default an nth-to-default derivative is externally rated and meets the conditions for a qualifying debt security, then the protection seller need only calculate one specific risk charge reflecting the rating of the derivative. The specific risk charge must be based on the securitisation PRAs in BIPRU 7.2 as applicable.

... Deriving the net position in each debt security: Credit derivatives

7.11.12C R A firm must calculate both the net long and the net short positions in credit derivatives by applying BIPRU 7.2.36R and BIPRU 7.2.37R and, where applicable, BIPRU 7.2.42AR to BIPRU 7.2.42CR or BIPRU 7.11.13R to BIPRU 7.11.17R.

Recognition of hedging provided by credit derivatives against cash positions

7.11.13 R (1) ...
(2) ...
(3) BIPRU 7.11.13 R—BIPRU 7.11.17 R are subject to the requirements of the credit default swap PRR methods. [deleted]

... Special treatment of credit default swaps: Provisions applicable to all methods
Specific risk calculation

7.11.18 R BIPRU 7.11.18R—BIPRU 7.11.58R set out the calculation of the specific risk portion of the interest rate PRR for credit default swaps. [deleted]

7.11.19 R The specific risk portion of the interest rate PRR is calculated separately for:
(1) credit default swaps (other than those in (2));
(2) credit default swaps that are also securitisation positions;
(3) other positions;
that are subject to the interest rate PRR. [deleted]

7.11.20 R The specific risk portion of the interest rate PRR for positions falling into BIPRU 7.11.19R(1) and BIPRU 7.11.19R(2) credit derivatives in the trading book must be calculated in accordance with the credit default swap PRR methods rather than in accordance with BIPRU 7.2 (Interest
rate PRR) BIPRU 7.2.43R to BIPRU 7.2.46AG (Specific risk calculation), BIPRU 7.2.48AR to BIPRU 7.2.48KR (Specific risk: securitisations and re-securitisations), BIPRU 7.2.48LR (Specific risk: Correlation trading portfolio), BIPRU 7.2.49R to BIPRU 7.2.51G (Definition of a qualifying debt security) and the other provisions of BIPRU 7.11, as applicable. However a firm may apply BIPRU 7.11.13R- BIPRU 7.11.17R before applying the credit default swap PRR methods. If it does so the firm must apply the credit default swap PRR methods to the remaining position in credit default swaps.

Delete 7.11.21R to 7.11.58R. The deleted text is not shown.

Amend the following as shown.

7.11.61 G BIPRU 7.11.62G - BIPRU 7.11.64GG 7.11.63G cover risks relating to credit derivatives that may not be captured in this section. This guidance is of particular relevance to the overall financial adequacy rule, the overall Pillar 2 rule and the general stress and scenario testing rule.

…

7.11.64 G If a firm uses models in its valuation process, it should consider whether the default capital requirements under the credit default swap PRR methods adequately cover the default losses that the firm’s model estimates it will be exposed to. [deleted]

…

9.1.9 G BIPRU 9 deals with:

…

(3) the requirements that investors, originators and sponsors of securitisations in the trading book will have to meet (BIPRU 9.3.1AR, BIPRU 9.3.15R to BIPRU 9.3.20R, BIPRU 9.6.1AR and BIPRU 9.15).

…


…
Origination criteria

9.3.15 R  A credit institution, whether acting as sponsor or originator, must apply the same sound and well-defined criteria used for credit-granting in respect of exposures held on their trading and non-trading book under SYSC 7.1.9R to exposures to be securitised. The criteria applied must include the processes for approving and, where relevant, amending, renewing and re-financing credits.

...

9.6.1 R An originator which, in respect of a securitisation in the non-trading book, has made use of BIPRU 9.3.1R in the calculation of risk weighted exposure amounts, or a sponsor, must not, with a view to reducing potential or actual losses to investors, provide support to the securitisation beyond its contractual obligations.

[Note: BCD Article 101(1)]

9.6.1A R An originator which has sold instruments in its trading book to an SSPE and no longer holds market risk capital requirements for these instruments, or a sponsor, must not, with a view to reducing potential or actual losses to investors, provide support to the securitisation beyond its contractual obligations.

[Note: BCD Article 101(1)]

9.6.2 R If an originator or sponsor fails to comply with BIPRU 9.6.1R or BIPRU 9.6.1AR in respect of a securitisation, it must:

(1) hold capital against all of the securitised exposures associated with the securitisation transaction as if they had not been securitised; and

(2) disclose publicly:

(a) that it has provided non-contractual support; and

(b) the regulatory capital impact of doing so.

...

9.7.2 R (1) A firm may not use the credit assessment of an eligible ECAI to determine the risk weight of a securitisation position in accordance with BIPRU 9.9 unless it complies with the principles of credibility and transparency as elaborated in (2) to (46).
(5) The credit assessment must not be based, or partly based, on unfunded support provided by the firm itself.

(6) In the case of a credit assessment referred to in (5), the firm must consider the relevant position as if it were not rated and must apply the relevant treatment of unrated positions as set out in BIPRU 9.11 and BIPRU 9.12.

[Note: BCD, Article 97(5) and Annex IX, Part 3, Point 1]

9.7.2A G The requirements in BIPRU 9.7.2R(5) and (6) apply to situations where a firm holds securitisation positions which receive a lower risk weight by virtue of unfunded credit protection provided by the firm itself acting in a different capacity in the securitisation transaction. The assessment of whether a firm is providing unfunded support to its securitisation positions should take into account the economic substance of that support in the context of the overall transaction and any circumstances in which the firm could become exposed to a higher credit risk in the absence of that support.

9.7.4 G Where BIPRU 9.7.2R(5) applies to securitisation positions in an ABCP programme, the firm may be granted a waiver which allows it to use the risk weight assigned to a liquidity facility in order to calculate the risk weighted exposure amount for the positions in the ABCP programme, provided that the liquidity facility ranks pari passu with the positions in the ABCP programme so that they form overlapping positions and 100% of the commercial paper issued by the ABCP programme is covered by liquidity facilities. For the purposes of this provision, “overlapping positions” means that the positions represent, wholly or partially, an exposure to the same risk such that, to the extent of the overlap, there is a single exposure.

[Note: BCD, Annex IX, Part 4, Point 5]

9.9.8 R (1) Where a firm has two or more overlapping positions in a securitisation the firm must, to the extent the positions overlap, include in its calculation of risk weighted exposure amounts only the position, or portion of a position, producing the higher risk weighted exposure amounts. The firm may also recognise such an overlap between capital charges for specific risk in relation to positions in the trading book and capital charges for positions in the non-trading book, provided that the firm is able to calculate and compare the capital charges for the relevant positions.
9.9.10 G Where BIPRU 9.7.2R(5) applies to securitisation positions in an ABCP programme, the firm may be granted a waiver in the terms described in BIPRU 9.7.4G.

[Note: BCD, Annex IX, Part 4, Point 5]

9.11 Calculation of risk-weighted exposure amounts under the standardised approach to securitisations

9.11.1 R Subject to BIPRU 9.11.5R, the risk weighted exposure amount of a rated securitisation position or resecuritisation position must be calculated by applying to the exposure value the risk weight associated with the credit quality step with which the credit assessment has been determined to be associated, as prescribed in BIPRU 9.11.2R or BIPRU 9.11.3R.

[Note: BCD, Annex IX, Part 4, point 6]

9.11.2 R Table Positions other than ones with short-term credit assessments

This table belongs to BIPRU 9.11.1R

| Credit Quality step | 1 | 2 | 3 | 4 (only for credit assessments other than short-term credit assessments) | 5 and below
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Securitisation positions</td>
<td>20%</td>
<td>50%</td>
<td>100%</td>
<td>350%</td>
<td>1250%</td>
</tr>
<tr>
<td>Resecuritisation positions</td>
<td>40%</td>
<td>100%</td>
<td>225%</td>
<td>650%</td>
<td>1250%</td>
</tr>
</tbody>
</table>

[Note: For mapping of the credit quality step to the credit assessments of eligible ECAIs, refer to: www.fsa.gov.uk/pubs/international/ecaIs_securitisation.pdf]

[Note: BCD, Annex IX, Part 4, point 6, Table 1]

9.11.3 R Table: Positions with short-term credit assessments

This table belongs to BIPRU 9.11.1R
### Credit Quality Step

<table>
<thead>
<tr>
<th>Credit Quality Step (CQS)</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>All other credit assessments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Risk weight</strong></td>
<td>20%</td>
<td>50%</td>
<td>100%</td>
<td>1250%</td>
</tr>
</tbody>
</table>

[Note: For mapping of the credit quality step to the credit assessments of eligible ECAIs, refer to: http://www.fsa.gov.uk/pubs/international/ecais_securitisation.pdf] [deleted]

---

**9.12 Calculation of risk-weighted exposure amounts under the IRB approach**

---

**Ratings based method**

---

**9.12.10 Under the ratings based method**, the risk weighted exposure amount of a rated securitisation position or resecuritisation position must be calculated by applying to the exposure value the risk weight associated with the credit quality step with which the credit assessment is associated as prescribed in BIPRU 9.12.11R and BIPRU 9.12.12R multiplied by 1.06.

[Note: BCD, Annex IX, Part 4, point 46]

**9.12.11 Table: Positions other than ones with short-term credit assessments**

This table belongs to BIPRU 9.12.10R

<table>
<thead>
<tr>
<th>Credit Quality Step (CQS)</th>
<th>Risk-weighted exposure amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit assessments other than short term</td>
<td>Securitisation positions</td>
</tr>
<tr>
<td>Short-term credit assessments</td>
<td>A</td>
</tr>
</tbody>
</table>

<p>| CQS 1 | 1 | 7% | 12% | 20% | 20% | 30% |
| CQS 2 | 8% | 15% | 25% | 25% | 40% |
| CQS 3 | 10% | 18% | 35% | 35% | 50% |
| CQS 4 | 2 | 12% | 20% | 40% | 65% |
| CQS 5 | 20% | 35% | 60% | 100% |</p>
<table>
<thead>
<tr>
<th>CQS</th>
<th>35%</th>
<th>50%</th>
<th>100%</th>
<th>150%</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>60%</td>
<td>75%</td>
<td>150%</td>
<td>225%</td>
</tr>
<tr>
<td>7</td>
<td>100%</td>
<td>200%</td>
<td>350%</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>250%</td>
<td>300%</td>
<td>500%</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>425%</td>
<td>500%</td>
<td>650%</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>650%</td>
<td>750%</td>
<td>850%</td>
<td></td>
</tr>
<tr>
<td>Below CQS 11, all other, unrated</td>
<td>1250%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

[Note: For mapping of the credit quality step to the credit assessments of eligible ECAIs, refer to: www.fsa.gov.uk/pubs/international/ecais_securitisation.pdf]

[Note: BCD, Annex IX, Part 4, point 46]

9.12.12 R Table: Positions with short-term credit assessments
This table belongs to BIPRU 9.12.10R

<table>
<thead>
<tr>
<th>Credit Quality Step (CQS)</th>
<th>Risk weight</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A</td>
</tr>
<tr>
<td>CQS 1</td>
<td>7%</td>
</tr>
<tr>
<td>CQS 2</td>
<td>12%</td>
</tr>
<tr>
<td>CQS 3</td>
<td>60%</td>
</tr>
<tr>
<td>All other credit assessments</td>
<td>1250%</td>
</tr>
</tbody>
</table>

[Note: For mapping of the credit quality step to the credit assessments of eligible ECAIs, refer to: http://www.fsa.gov.uk/pubs/international/ecais_securitisation.pdf] [deleted]

9.12.13 R Subject to BIPRU 9.12.17R, the risk weights in column A of each table in BIPRU 9.12.11R and BIPRU 9.12.12R must be applied where the position is in the most senior tranche of a securitisation. For the purposes of BIPRU 9.12.10R:

1. the weightings in column C of BIPRU 9.12.11R must be applied where the securitisation position is not a resecuritisation position and where the effective number of exposures securitised is less than six;
for the remainder of the securitisation positions that are not resecuritisation positions, the weightings in column B must be applied unless the position is in the most senior tranche of a securitisation, in which case the weightings in column A must be applied; and

(3) for resecuritisation positions, the weightings in column E must be applied unless the resecuritisation position is in the most senior tranche of the resecuritisation and none of the underlying exposures were themselves resecuritisation exposures, in which case column D must be applied.

[Note: BCD, Annex IX, Part 4, point 47(part)]

... 9.12.17 R The risk weights in column C of each table in BIPRU 9.12.11R and BIPRU 9.12.12R must be applied where the position is in a securitisation where the effective number of exposures securitised is less than six. In calculating the effective number of exposures securitised, multiple exposures to one obligor must be treated as one exposure. The effective number of exposures is calculated as:

\[ N = \frac{((\sum EAD_j))^2}{(\sum (EAD_j^2))} \]

where EAD\( _j \) represents the sum of the exposure values of all exposures to the \( j \)th obligor. If the portfolio share associated with the largest exposure, C1, is available, the firm may compute N as 1/C1.

[Note: BCD, Annex IX, Part 4, point 49(part)]

... 9.12.18 R In the case of resecuritisation, the firm must look at the number of securitisation exposures in the pool and not the number of underlying exposures in the original pools from which the underlying securitisation exposures stem. If the portfolio share associated with the largest exposure, C1, is available, the firm may compute N as 1/C1.

[Note: BCD, Annex IX Part 4 point 49 (part)] [deleted]


[Note: BCD Annex IX Part 4 point 50] [deleted]

... Supervisory formula method 9.12.21 R Subject to any permission of the type described in BIPRU 9.12.28G, under the supervisory formula method, the risk weight for a securitisation position must be the greater of 7% or the risk weight to be applied in accordance with BIPRU 9.12.22R. However, the risk weight must be no less than 20% for resecuritisation positions and no less than
7% for all other securitisation positions.

[Note: BCD, Annex IX, Part 4, point 52]

9.12.22 R (1) Subject to any permission of the type described in BIPRU 9.12.28G, the risk weight to be applied to the exposure amount must be:

...

...

(19) N is the effective number of exposures calculated in accordance with BIPRU 9.12.17R – BIPRU 9.12.18R. In the case of resecuritisations, the firm must look at the number of securitisation exposures in the pool and not the number of underlying exposures in original pools from which the underlying securitisation exposures stem.

...

[Note: BCD, Annex IX, Part 4, point 53 (part)]

...

Application

9.15.1 R Subject to BIPRU 9.15.1AR, BIPRU 9.15 applies to:

(1) new securitisations issued on or after 1 January 2011; and

(2) from 31 December 2014, to existing securitisations where new underlying exposures are added or substituted after that date.

[Note: BCD, Article 122a, paragraph 8]

9.15.1A R BIPRU 9.15.16AR and BIPRU 9.15.16BR only apply to:

(1) new securitisations issued on or after 31 December 2011; and

(2) from 31 December 2014, to existing securitisations where new underlying exposures are added or substituted after that date.

9.15.1B G A credit institution should have regard to the Committee of European Banking Supervisors’ Guidelines to Article 122a of the Banking Consolidation Directive when considering its obligations under BIPRU 9.3.15R to BIPRU 9.3.20R and BIPRU 9.15. The Guidelines can be found at http://www.eba.europa.eu/Publications/Standards-Guidelines.aspx.

...
9.15.6 R Multiple applications of the retention of net economic interest requirements for any given securitisation are prohibited not required.

…

Group level requirements

9.15.16A R Subject to BIPRU 9.15.16BR, a credit institution must ensure that any undertaking in relation to which the credit institution is a parent undertaking:

(1) becomes exposed to the credit risk of a securitisation only where the originator, sponsor or original lender in the securitisation has explicitly disclosed to the undertaking that it will retain, on an ongoing basis, a material net economic interest which, in any event, must not be less than 5%, as set out in BIPRU 9.15.3R to BIPRU 9.15.10R;

(2) complies before investing in a securitisation, and continues to comply thereafter, with the investor due diligence requirements set out in BIPRU 9.15.11R to BIPRU 9.15.13R; and

(3) complies in relation to its investments in securitisations with the monitoring requirements set out in BIPRU 9.15.14R to BIPRU 9.15.16R.

9.15.16B R The requirements in BIPRU 9.15.16AR do not apply in respect of subsidiaries of a credit institution which are insurance undertakings, reinsurance undertakings or UCITS management companies.

9.15.16C G The purpose of BIPRU 9.15.16AR is to ensure that a credit institution meets the requirements in BIPRU 9.15 at group level in relation to its subsidiary undertakings. In order to comply with this rule, a credit institution should be able to demonstrate to the FSA that it has put in place adequate group policies and procedures which its subsidiary undertakings must follow in order to materially meet the requirements for investors set out in BIPRU 9.15, and that it regularly monitors compliance with those policies.

9.15.16D G Where a credit institution applies to the FSA for a waiver of BIPRU 9.15.16AR in relation to its non-EEA subsidiary undertakings, the FSA may have regard in its assessment of the waiver tests under section 148 of the Act as to whether those undertakings are themselves subject to requirements in their jurisdiction similar to those set out in BIPRU 9.15 and the extent to which complying with such requirements and BIPRU 9.15.16AR would be unduly burdensome, including circumstances where it could create a substantial conflict for the credit institution.

9.15.16E G Without prejudice to BIPRU 9.15.16AR, when assessing group risk in accordance with GENPRU 1.2.30R a credit institution should have regard to the potential risks arising from securitisation investment.
activities carried out by other undertakings within its group, such as affiliated companies and undertakings in which the credit institution has a participating interest. Where these undertakings are not subject to similar requirements as those set out in BIPRU 9.15, the FSA may seek to address the potential risks arising from this situation for example by imposing a specific capital add-on in the credit institution’s ICG.

Consequences of failure to meet requirements

9.15.17 G (1) Subject to BIPRU 9.3.22G, BIPRU 9.15.9R to BIPRU 9.15.10R and BIPRU 9.15.18G, where a credit institution fails to meet any of the requirements in BIPRU 9.3.18G to BIPRU 9.3.20R (disclosure requirements), and BIPRU 9.15.11R to BIPRU 9.15.16R (investor due diligence requirements) in any material respect by reason of its negligence or omission, the FSA will use its powers under section 45 (Variation etc on the Authority's own initiative) of the Act to impose an additional risk weight of no less than 250% (capped at 1250%) of the risk weight that would otherwise apply to the relevant securitisation positions under BIPRU 9.11 to BIPRU 9.14. The additional risk weight imposed will be progressively increased with each relevant, subsequent infringement of the requirements in BIPRU 9.3.18R to BIPRU 9.3.20R and BIPRU 9.15.11R to BIPRU 9.15.16R.

[Note: BCD, Article 122a, paragraph 5]

(2) Subject to BIPRU 9.3.22G, BIPRU 9.15.9R to BIPRU 9.15.10R and BIPRU 9.15.18G, where a credit institution fails to meet in any material respect the requirements in BIPRU 9.15.16AR (Group level requirements), the FSA may consider using its powers under section 45 (Variation etc on the Authority’s own initiative) of the Act in the manner described in (1). In order to calculate the risk weights that would apply to the credit institution, the FSA may treat the securitisation investments of the subsidiary undertaking as if they were securitisation positions held directly by the credit institution.

... Disclosure policy

11.3.3 R (1) A firm must adopt a formal policy to comply with the disclosure requirements laid down in BIPRU 11.3.1R and BIPRU 11.3.2R and have policies for assessing the appropriateness of its disclosures, including their verification and frequency.

(2) A firm must also have policies for assessing whether its disclosures convey its risk profile comprehensively to market participants. Where those disclosures do not convey its risk
profile comprehensively to market participants, a firm must publicly disclose the information necessary in addition to that required according to BIPRU 11.3.3R(1). However, a firm may omit one or more items of information if those items are not, in the light of the criterion specified in BIPRU 11.4.1R, regarded as material, or if those items are, in the light of the criteria specified in BIPRU 11.4.2R and BIPRU 11.4.3R, regarded as proprietary or confidential.

[Note: BCD Article 145(3)]

Disclosure: Market risk

11.5.12 R A firm must disclose its capital resources requirements separately for each risk referred to in (1), (2) and (3):

(1) in respect of its trading-book business, its:
   (a) interest rate PRR;
   (b) equity PRR;
   (c) option PRR;
   (d) collective investment schemes PRR;
   (e) counterparty risk capital component; and
   (f) concentration risk capital component; and

(2) in respect of all its business activities, its:
   (a) commodity PRR; and
   (b) foreign currency PRR; and

(3) its specific interest-rate risk of securitisation positions.

[Note: BCD Annex XII Part 2 point 9]

Disclosure: Use of VaR model for calculation of market risk capital requirement

11.5.13 R The following information must be disclosed by a firm which calculates its market risk capital requirement using a VaR model:

(1) for each sub-portfolio covered:
   (a) the characteristics of the models used;
   (b) a description of stress testing applied to the sub-
portfolio;

(c) a description of the approaches used for backtesting and validating the accuracy and consistency of the internal models and modelling process;

(d) the highest, the lowest and the mean of the daily value-at-risk measures over the reporting period and the value-at-risk measure as per the end of the period; for the capital charges calculated according to the incremental risk charge and the all price risk measure separately, the methodologies used and the risks measured through the use of an internal model, including a description of the approach used by the firm to determine liquidity horizons, the methodologies used to achieve a capital assessment that is consistent with the required soundness standard and the approaches used in the validation of the model;

(e) a comparison of the daily end-of-day value-at-risk measures to the one-day changes of the portfolio’s value by the end of the subsequent business day together with an analysis of any important overshooting during the reporting period;

(2) the scope of the firm’s VaR model permission; and

(3) a description of the extent and methodologies for compliance with the requirements set out in GENPRU 1.3.13R(2) and GENPRU 1.3.13R(3) and GENPRU 1.3.14R to GENPRU 1.3.34R;

(4) the highest, the lowest and the mean of the following:

(a) the daily VaR measures over the reporting period and the VaR measure as per the period end;

(b) the stressed VaR measures over the reporting period and the stressed VaR measure as per the period end;

(c) the capital charge according to the incremental risk charge over the reporting period and as per the period end;

(d) the capital charge according to the all price risk measure over the reporting period and as per the period end;

(5) the amount of capital according to the incremental risk charge and the amount of capital according to the all price risk measure shown separately, together with the weighted average
liquidity horizon for each sub-portfolio covered; and

(6) a comparison of the daily end-of-day VaR measures to the one-day changes of the portfolio’s value by the end of the subsequent business day together with an analysis of any important overshooting during the reporting period.

[Note: BCD Annex XII Part 2 point 10]

Disclosures: Securitisation

11.5.17 R A firm calculating risk weighted exposure amounts in accordance with BIPRU 9 or capital resource requirements according to BIPRU 7.2.48AR to BIPRU 7.2.48KR must disclose the following information, where relevant separately for its trading book and non-trading book:

(1) a description of the firm’s objectives in relation to securitisation activity;

(1A) the nature of other risks, including liquidity risk inherent in securitised assets;

(1B) the type of risks in terms of seniority of underlying securitisation positions and in terms of assets underlying these latter securitisation positions assumed and retained with resecuritisation activity;

(2) the different roles played by the firm in the securitisation process;

(3) an indication of the extent of the firm’s involvement in each of them;

(3A) a description of the processes in place to monitor changes in the credit and market risk of securitisation exposures, including how the behaviour of the underlying assets impacts securitisation positions and a description of how those processes differ for resecuritisation positions;

(3B) a description of the firm’s policy governing the use of hedging and unfunded protection to mitigate the risks of retained securitisation and resecuritisation positions, including identification of material hedge counterparties by relevant type of risk exposure;

(4) the approaches to calculating risk weighted exposure amounts that the firm follows for its securitisation activities, including the types of securitisation exposures to which each approach applies;
(4A) the types of SSPEs that the firm, as sponsor, uses to securitise third-party exposures, including whether, and in what form, and to what extent, the firm has exposures to these SSPEs, separately for on and off-balance sheet exposures, as well as a list of the entities that the firm manages, or advises, and that invest in either the securitisation positions that the firm has securitised or in SSPEs that the firm sponsors;

(5) a summary of the firm’s accounting policies for securitisation activities, including:

(a) whether the transactions are treated as sales or financings;

(b) the recognition of gains on sales;

(c) the methods, key assumptions, inputs and the changes from the previous period for valuing securitisation positions retained interests; and

(d) the treatment of synthetic securitisations if this is not covered by other accounting policies;

(e) how assets awaiting securitisation are valued and whether they are recorded in the firm’s non-trading book or trading book; and

(f) policies for recognising liabilities on the balance sheet for arrangements that could require the firm to provide financial support for securitised assets;

(6) the names of the ECAIs used for securitisations and the types of exposure for which each agency is used;

(6A) where applicable, a description of the ABCP internal assessment approach as set out in BIPRU 9.12.20R, including the structure of the internal assessment process and relation between internal assessment and external ratings, the use of internal assessment other than for ABCP internal assessment approach capital purposes, the control mechanisms for the internal assessment process (including discussion of independence, accountability, and internal assessment process review), the exposure types to which the internal assessment process is applied and the stress factors used for determining credit enhancement levels, by exposure type;

(6B) an explanation of significant changes to any of the quantitative disclosures in (8) and (13) to (15) since the last reporting period;

(7) the total outstanding amount of exposures securitised by the
firm and subject to the securitisation framework (broken down into traditional and synthetic), by exposure type; [deleted]

(8) for the non-trading book and for exposures securitised by the firm and subject to the securitisation framework, a breakdown by exposure type of the amount of impaired and past due exposures securitised, and the losses recognised by the firm during the current period, broken down by exposure type;

(9) the aggregate amount of securitisation positions retained or purchased, broken down by exposure type; [deleted]

(10) the aggregate amount of securitisation positions retained or purchased:

(a) broken down into a meaningful number of risk weight bands; and

(b) with separate disclosure of positions that have been risk weighted at 1250% or deducted; [deleted]

(11) the aggregate outstanding amount of securitised revolving exposures segregated by the originator’s interest and the investors’ interest; and [deleted]

(12) a summary of the securitisation activity in the period, including the amount of exposures securitised (by exposure type), and recognised gain or loss on sale by exposure type. [deleted]

(13) separately for the trading book and the non-trading book, the following information broken down by exposure type:

(a) the total outstanding amount of exposures securitised by the firm, separately for traditional securitisations and synthetic securitisations, and securitisations for which the firm acts only as sponsor;

(b) the aggregate amount of on-balance sheet securitisation positions retained or purchased, and off-balance sheet securitisation exposures;

(c) the aggregate amount of assets awaiting securitisation;

(d) for securitised facilities subject to an early amortisation provision, the aggregate drawn-down exposures attributed to the originator’s and investors’ interests respectively, the aggregate capital resources requirement incurred by the firm against the originator’s interest and the aggregate capital resources requirement incurred by the firm against the investors’
shares of drawn balances and undrawn lines;

(e) the amount of securitisation positions that have been risk weighted at 1250% or deducted; and

(f) a summary of the securitisation activity of the current period, including the amount of exposures securitised and recognised gain or loss on sale;

(14) separately for the trading book and the non-trading book, the following information:

(a) the aggregate amount of securitisation positions retained or purchased and the associated capital resources requirements, broken down by securitisation and resecuritisation exposures, and further broken down into a meaningful number of risk weight or capital resources requirement bands, for each capital resources requirement approach used; and

(b) the aggregate amount of resecuritisation exposures retained or purchased, broken down according to the exposure before and after hedging or insurance, and the exposure to financial guarantors, broken down according to guarantor credit worthiness categories or guarantor name; and

(15) for the trading book, the total outstanding exposures securitised by the firm and subject to a market risk capital requirement, broken down into traditional and synthetic, and by exposure type.

[Note: BCD Annex XII Part 2 point 14]

... 14.2.6 R In the case of a credit default swap, a firm the exposure of which arising from the swap represents a long position in the underlying may use a figure of 0% for potential future credit exposure, unless the credit default swap is subject to closeout upon the insolvency of the entity the exposure of which arising from the swap represents a short position in the underlying, even though the underlying has not defaulted, in which case the potential for future credit exposure of the firm must be limited to the amount of premia which are not yet paid by the entity to the firm.

[Note: CAD Annex II point 7]

... Treatment of expected loss amounts under the IRB approach
14.2.18 R Where a firm calculates risk weighted exposure amounts for the purposes of BIPRU 14 in accordance with the IRB approach, then for the purposes of the calculation provided for in BIPRU 4.4.79R (Double default) 4.3.8R, the following will apply:

...

Transitional Provisions

TP 4 Pre CRD capital requirements applying on a solo basis during 2007: Banks

...

4.36 G Any reference to a qualifying debt security or qualifying equity in a part of BIPRU that applies during 2007 should be interpreted in accordance with IPRU(BANK). However BIPRU 7.2.50R (Must not apply qualifying debt security treatment to risky assets) also applies.

...

4.43 G The definitions of qualifying debt security and qualifying equity in the Glossary apply if the security or obligor in question comes within the scope of a firm’s IRB permission.

...

TP 6 Pre CRD capital requirements applying on a solo basis during 2007: Investment management firms

...

6.24 R Any reference to a qualifying debt security in a part of BIPRU that applies during 2007 must be interpreted in accordance with the meaning it has when used in section A of Table 5.2.3(5)(b) of chapter 5 of IPRU(INV) (Position risk requirement for qualifying debt securities). However BIPRU 7.2.50R (Must not apply qualifying debt security treatment to risky assets) also applies. Any reference to a qualifying equity in a part of BIPRU that applies during 2007 must be interpreted in accordance with the definition in the Glossary to chapter 10 of IPRU(INV).

6.25 G The reason for BIPRU TP 6.23R and BIPRU TP 6.24R is that the calculation of the specific risk portion of the interest rate PRR under BIPRU 7 (Market risk) involves the use of the standardised approach to credit risk. The specific risk rules therefore need to be adjusted for a firm that is not using the standardised approach to credit risk in 2007 so as to apply the pre-2007 method of calculating specific risk. However chapter 5 does not use the concept of specific risk. The nearest equivalent is in chapter 10 of IPRU(INV) (Securities and futures firms).
The definition of qualifying equity also depends in part on the standardised approach to credit risk.

6.34 R The definition of qualifying debt security and qualifying equity in the Glossary apply if the security or obligor in question comes within the scope of a firm's IRB permission.

TP 8 Pre CRD capital requirements applying on a solo basis during 2007: Securities and futures firms

Any reference to a qualifying debt security or qualifying equity in a part of BIPRU that applies during 2007 must be interpreted in accordance with the definition in the Glossary to chapter 10 of IPRU(INV). However BIPRU 7.2.50R (Must not apply qualifying debt security treatment to risky assets) also applies.

The effect of BIPRU TP 8.29R and BIPRU TP 8.30R is that a firm should apply rules 43R to 47R of Appendix 4 of Chapter 10 of IPRU(INV) (Specific risk portion of interest rate PRR) instead of BIPRU 7.2.43R to BIPRU 7.2.49R (Specific risk portion of interest rate PRR). The reason for this is that the calculation of the specific risk portion of the interest rate PRR under BIPRU 7 (Market risk) involves the use of the standardised approach to credit risk. The specific risk rules therefore need to be adjusted for a firm that is not using the standardised approach to credit risk in 2007 so as to apply the pre-2007 method of calculating specific risk. The definition of qualifying equity also depends in part on the standardised approach to credit risk.

8.38 R The definitions of qualifying debt security and qualifying equity in the Glossary apply if the security or obligor in question comes within the scope of a firm's IRB permission.

TP 9 Pre CRD capital requirements applying on a solo basis during 2007 and capital floors: Personal investment firms

Any reference to a qualifying debt security in a part of BIPRU that applies during 2007 must be interpreted in accordance with the definition in the Glossary to chapter 13 of IPRU(INV). However BIPRU 7.2.50R (Must not apply qualifying debt security treatment to risky assets) also applies.
that applies during 2007 must be interpreted in accordance with the definition in the Glossary to chapter 10 of IPRU(INV).

9.37 R The reason for BIPRU TP 9.35R and BIPRU TP 9.36R is that the calculation of the specific risk portion of the interest rate PRR under BIPRU 7 (Market risk) involves the use of the standardised approach to credit risk. The specific risk rules therefore need to be adjusted for a firm that is not using the standardised approach to credit risk in 2007 so as to apply the pre-2007 method of calculating specific risk. However chapter 13 does not distinguish between specific risk and general market risk. The nearest equivalent is in chapter 10 of IPRU(INV) (Securities and futures firms). The definition of qualifying equity also depends in part on the standardised approach to credit risk.

9.44 R The definition of qualifying debt security and qualifying equity in the Glossary applies if the security or obligor in question comes within the scope of a firm's IRB permission.
TP 14  Market risk: VaR models

14.4  R  A firm may treat:

...  

(2) the incremental default risk charge as being replaced by the provisions of that written concession relating to the calculation of capital requirements for specific risk.

...  

Sch 2  Notification and reporting requirements

...  

<table>
<thead>
<tr>
<th>Handbook reference</th>
<th>Matter to be notified</th>
<th>Contents of notification</th>
<th>Trigger event</th>
<th>Time allowed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Periodically as set out in SUP 16.12</td>
<td>In accordance with SUP 16.12</td>
</tr>
<tr>
<td><strong>BIPRU 7.2.48B</strong></td>
<td>Total sum of a firm’s weighted net long and net short securitisation and resecuritisation positions, broken down by types of underlying assets</td>
<td>Total sum of a firm’s weighted net long and net short securitisation and resecuritisation positions, broken down by types of underlying assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Periodically as set out in SUP 16.12</td>
<td>In accordance with SUP 16.12</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>BIPRU 7.10.55ZAR</strong></td>
<td>Material shortfall in the amount of capital required under the all price risk measure identified as a result of performing the stress tests under BIPRU 7.10.55ZAR</td>
<td>Information about the stress tests and the material shortfall in capital</td>
<td>Existence of a material shortfall in capital</td>
<td>No later than two business days after the business day on which the material shortfall occurred</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>BIPRU 7.10.130R</strong></td>
<td>Details of significant planned changes to</td>
<td>Information about the nature of the change and an Intention to change</td>
<td>Prior to any changes being</td>
<td></td>
</tr>
</tbody>
</table>

BIPRU 7.2.48B
| the $VaR$ model | estimate of the impact on $VaR$ numbers and the incremental default risk charge | implemented |

...
Annex D

Amendments to the Supervision manual (SUP)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise indicated.

16.12 Integrated Regulatory Reporting

…

Regulated Activity Group 1

16.12.5 R The applicable data items and forms or reports referred to in SUP 16.12.4R are set out according to firm type in the table below:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note 23 Only applicable to firms that hold securitisation positions, in the trading book and/or are the originator or sponsor of securitisations of trading book exposures held in the trading book.

…

Regulated Activity Group 3

…

16.12.11 R The applicable data items referred to in SUP 16.12.4R are set out according to firm type in the table below:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note 32 Only applicable to firms that hold securitisation positions, in the trading book and/or are the originator or sponsor of securitisations of trading book exposures held in the trading book.

…

Regulated Activity Group 4

…

16.12.15 R The applicable data items referred to in SUP 16.12.4R according to type of firm are set out in the table below:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note 29 Only applicable to firms that hold securitisation positions, in the trading book and/or are the originator or sponsor of securitisations of trading book exposures held in the trading book.
Regulated Activity Group 7

16.12.22A R The applicable data items referred to in SUP 16.12.4R are set out according to type of firm in the table below:

<table>
<thead>
<tr>
<th>Note 22</th>
<th>Only applicable to firms that hold securitisation positions, in the trading book and/or are the originator or sponsor of securitisations of trading book exposures held in the trading book.</th>
</tr>
</thead>
</table>

Regulated Activity Group 8

16.12.25A R The applicable data items referred to in SUP 16.12.4R are set out according to type of firm in the table below:

<table>
<thead>
<tr>
<th>Note 27</th>
<th>Only applicable to firms that hold securitisation positions, in the trading book and/or are the originator or sponsor of securitisations of trading book exposures held in the trading book.</th>
</tr>
</thead>
</table>
### Market risk

**Note:** In this table numerical references correspond with those shown on the online submission form and are not presented here in strict numerical order.

<table>
<thead>
<tr>
<th>Interest rate risk</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
</tr>
</thead>
<tbody>
<tr>
<td>General interest rate risk</td>
<td>USD</td>
<td>GBP</td>
<td>EUR</td>
<td>CHF</td>
<td>YEN</td>
<td>Other</td>
<td>Total</td>
</tr>
<tr>
<td>1 Valuations of longs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Valuation of shorts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 PRR (as per handbook)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specific interest rate risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount by risk bucket</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 0.00%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 0.25%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 1.00%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 1.60%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 8.00%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9 12.00%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 PRR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Securitisation exposures/unrated liquidity facilities PRR</th>
</tr>
</thead>
<tbody>
<tr>
<td>44 Net long securitisation (excl. re-securitisation) exposures/unrated liquidity facilities PRR</td>
</tr>
<tr>
<td>45 Net short securitisation (excl. re-securitisation) exposures/unrated liquidity facilities PRR</td>
</tr>
<tr>
<td>46 Net long re-securitisation exposures/unrated liquidity facilities PRR</td>
</tr>
<tr>
<td>47 Net short re-securitisation exposures/unrated liquidity facilities PRR</td>
</tr>
<tr>
<td>12 Ordinary CDS (outside correlation trading portfolio) PRR</td>
</tr>
<tr>
<td>13 Securitisation CDS (outside correlation trading portfolio) PRR</td>
</tr>
<tr>
<td>14 Basic interest rate PRR calculation for equity instruments</td>
</tr>
<tr>
<td>15 Option PRR for interest rate positions</td>
</tr>
<tr>
<td>16 CAD1 PRR for interest rate positions</td>
</tr>
<tr>
<td>17 Other PRR</td>
</tr>
<tr>
<td>18 Total interest rate PRR</td>
</tr>
</tbody>
</table>

### Equity risk

<table>
<thead>
<tr>
<th>Equity risk</th>
<th>USD</th>
<th>GBP</th>
<th>EUR</th>
<th>CHF</th>
<th>YEN</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>General equity risk (or simplified)</td>
<td>USD</td>
<td>GBP</td>
<td>EUR</td>
<td>CHF</td>
<td>YEN</td>
<td>Other</td>
<td>Total</td>
</tr>
<tr>
<td>19 Valuations of longs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20 Valuation of shorts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21 PRR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Specific equity risk by risk bucket

<table>
<thead>
<tr>
<th></th>
<th>USD</th>
<th>GBP</th>
<th>EUR</th>
<th>CHF</th>
<th>YEN</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>22</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>Option PRR for equity positions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>CAD 1 PRR for equity positions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>28</td>
<td>Other PRR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Commodity Risk

<table>
<thead>
<tr>
<th></th>
<th>Precious metals</th>
<th>Base metals</th>
<th>softs</th>
<th>energy</th>
<th>other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>30</td>
<td>Valuation of longs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>Valuation of shorts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>32</td>
<td>Outright PRR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>33</td>
<td>Spread PRR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>34</td>
<td>Carry PRR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>35</td>
<td>Simplified PRR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36</td>
<td>Total PRR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>37</td>
<td>Option PRR for commodity positions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>38</td>
<td>CAD 1 PRR for commodity positions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>39</td>
<td>Other PRR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Foreign currency risk

<table>
<thead>
<tr>
<th></th>
<th>USD</th>
<th>GBP</th>
<th>EUR</th>
<th>CHF</th>
<th>YEN</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>41</td>
<td>Total net long positions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>42</td>
<td>Total net short positions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>43</td>
<td>Net gold position</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>44</td>
<td>PRR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>A</td>
<td>B</td>
<td>C</td>
<td>D</td>
<td>E</td>
<td>F</td>
<td>G</td>
</tr>
<tr>
<td>---</td>
<td>-------</td>
<td>-------</td>
<td>-------</td>
<td>-------</td>
<td>-------</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td></td>
<td>USD</td>
<td>GBP</td>
<td>EUR</td>
<td>CHF</td>
<td>YEN</td>
<td>Other</td>
<td>Total</td>
</tr>
<tr>
<td>45</td>
<td>Option PRR for foreign currency</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>46</td>
<td>CAD 1 PRR for foreign currency</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>47</td>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>48</td>
<td>Total foreign currency PRR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Collective investment undertaking risk**

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD</td>
<td>GBP</td>
<td>EUR</td>
<td>CHF</td>
<td>YEN</td>
<td>Other</td>
<td>Total</td>
</tr>
<tr>
<td>49</td>
<td>Total net long positions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50</td>
<td>Total net short positions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>51</td>
<td>PRR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>52</td>
<td>Option PRR for CIU</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>53</td>
<td>CAD 1 PRR for CIU</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>54</td>
<td>Other PRR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>55</td>
<td>Total CIU PRR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Other PRR**

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD</td>
<td>GBP</td>
<td>EUR</td>
<td>CHF</td>
<td>YEN</td>
<td>Other</td>
<td></td>
</tr>
</tbody>
</table>

**Internal models-based charges**

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD</td>
<td>GBP</td>
<td>EUR</td>
<td>CHF</td>
<td>YEN</td>
<td></td>
<td></td>
</tr>
<tr>
<td>57</td>
<td>Multiplier</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>58</td>
<td>Previous day's VaR PRR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>59</td>
<td>Average of previous 60 days VaR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>60</td>
<td>Incremental Default Risk Surcharge</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>72</td>
<td>SVaR Multiplier</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>73</td>
<td>Latest SVaR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>74</td>
<td>Average of previous 60 days SVaR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>75</td>
<td>Latest Incremental Risk Charge</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>76</td>
<td>Average of previous 12 weeks Incremental Risk Charge</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>77</td>
<td>Latest All Price Risk Measure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>78</td>
<td>Average of previous 12 weeks All Price Risk Measure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>79</td>
<td>Standard Rules charge for net long correlation trading portfolio products in APR model</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>80</td>
<td>Standard Rules charge for net short correlation trading portfolio products in APR model</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>81</td>
<td>All Price Risk Floor Charge</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add-ons</td>
<td>A</td>
<td>B</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------</td>
<td>---</td>
<td>---</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Description</td>
<td>Value</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>63</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>…</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>n</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>64</td>
<td>Total Add-ons</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>61</td>
<td>Internal models-based PRR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>62</td>
<td>GRAND TOTAL PRR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### General Transaction level information - Where the firm is an originator or sponsor

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>H</th>
<th>I</th>
<th>J</th>
<th>K</th>
<th>L</th>
<th>M</th>
<th>N</th>
<th>O</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Location of the most recent Pillar 3 disclosures for securitisation (BIPRU 11.5.17R)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Additional capital requirements for significant risk transfer (BIPRU 9.3.1R)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Reduction in RWA's according to BIPRU 9.10.4R and BIPRU 9.10.6R</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Transaction level information - Where the firm is an originator or sponsor

<table>
<thead>
<tr>
<th>programme Name</th>
<th>Asset class</th>
<th>Originator's Interest</th>
<th>Investors' Interest</th>
<th>Location of Investor Reports</th>
<th>Assets appear on FSA001?</th>
<th>BIPRU 9.3.1R Applied?</th>
<th>Conversion Factor applied?</th>
<th>Exposure value before securitisation</th>
<th>Capital requirement before securitisation</th>
<th>Exposure value after securitisation</th>
<th>Capital requirement after securitisation before cap</th>
<th>Capital requirement after securitisation after cap</th>
<th>Retention of net economic interest (% to 2d)</th>
<th>Method of retention of net economic interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Risk positions - standardised exposures

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Additional capital requirements (BIPRU 9.3.21G and BIPRU 9.15.17G)
### Risk positions - IRB exposures

<table>
<thead>
<tr>
<th></th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>H</th>
<th>I</th>
<th>J</th>
<th>K</th>
<th>L</th>
<th>M</th>
<th>N</th>
<th>P</th>
<th>O</th>
</tr>
</thead>
<tbody>
<tr>
<td>CQS1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ST CQS11</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CQS2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ST CQS2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CQS3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ST CQS3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CQS4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ST CQS4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CQS5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ST CQS5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CQS6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ST CQS6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CQS7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ST CQS7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CQS8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ST CQS8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CQS9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ST CQS9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CQS10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ST CQS10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CQS11</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ST CQS11</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below CQS11</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All other credit assessments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supervisory formula (Exposure Value)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supervisory formula (Capital Requirement)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deductions from capital</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Originator**
- **Sponsor**
- **Counterparty credit risk**
- **All other exposures**

Page 59 of 72
## Non-correlation trading portfolio securitisations

### Transaction level information - Where the firm is an originator or sponsor

<table>
<thead>
<tr>
<th>Programme Name</th>
<th>Asset class</th>
<th>Originator’s Interest</th>
<th>Investors’ Interest</th>
<th>Location of Investor Reports</th>
<th>Assets appear on FSA010?</th>
<th>Retention of net economic interest</th>
<th>Method of retention of net economic interest</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

[Insert the following tables as new Data Elements for Data Item FSA058. The text is not underlined.]

### Risk positions - standardised exposures (net positions)

<table>
<thead>
<tr>
<th></th>
<th>CQS1</th>
<th>CQS2</th>
<th>CQS3</th>
<th>CQS4</th>
<th>All other credit assessments</th>
<th>Deductions from capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Originator</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sponsor</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Counterparty credit risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All other exposures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Risk positions - IRB exposures (net positions)

<table>
<thead>
<tr>
<th></th>
<th>CQS1</th>
<th>CQS2</th>
<th>CQS3</th>
<th>CQS4</th>
<th>All other credit assessments</th>
<th>Deductions from capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Originator</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sponsor</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Counterparty credit risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All other exposures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Securitisation: Trading Book

#### Total capital requirement (net long positions plus net short positions) broken down by underlying assets

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential mortgages</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial mortgages</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit cards</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leasing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans to corporates</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securitisations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Correlation trading portfolio positions

#### Risk positions - standardised exposures (net positions)

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Originator</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sponsor</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Counterparty credit risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All other exposures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Risk positions - IRB exposures (net positions)

| A | B | C | D | E | F | G | H | I | J | K | L | M | N | O |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Originator | A | | | | | | | | | | | | | |
| Sponsor | A | | | | | | | | | | | | | |
| Counterparty credit risk | A | | | | | | | | | | | | | |
| All other exposures | A | | | | | | | | | | | | | |

---

Page 61 of 72
SUP 16 Annex 25G Guidance notes for data items in SUP 16 Annex 24R

... 

FSA003 – Capital Adequacy

...

103A  Concentration risk capital component
This is the CNCOM. See BIPRU 10.5.14R to BIPRU 10.5.21G BIPRU 10.10A.4G to BIPRU 10.10A.12R for details of how this is calculated.

Figures appearing here should also appear on FSA008 under data element 5R for the same quarterly reporting date.

...

FSA005 – Market risk

...

11  Securitisation exposures/unrated liquidity facilities PRR
See BIPRU 7.2.47R.

[CEBS’ MKR SA TDI item 3, column 9]

66  Net long securitisation (excl. re-securitisation) exposures/unrated liquidity facilities PRR
See BIPRU 7.2.48AR to BIPRU 7.2.48KR.

67  Net short securitisation (excl. re-securitisation) exposures/unrated liquidity facilities PRR
See BIPRU 7.2.48AR to BIPRU 7.2.48KR.

68  Net long re-securitisation exposures/unrated liquidity facilities PRR
See BIPRU 7.2.48AR to BIPRU 7.2.48KR.

69  Net short re-securitisation exposures/unrated liquidity facilities PRR
See BIPRU 7.2.48AR to BIPRU 7.2.48KR.

12  Ordinary CDS (outside correlation trading portfolio) PRR
See BIPRU 7.11

[Part of CEBS’ MKR SA TDI item 3, columns 6 and 7]
13 Securitisation CDS (outside correlation trading portfolio) PRR
See BIPRU 7.11.35R
[Part of CEBS’ MKR SA TDI item 3, columns 6 and 7]

...  

17 Other PRR for interest rate risk
Where a ‘prudent’ uplift is required under BIPRU 7.2.46R or PRR arising from other non-standard transactions as required by BIPRU 7.1.7R to BIPRU 7.1.13E and that is attributable to interest rate risk

70 Correlation trading portfolio - Net long positions PRR
See BIPRU 7.2.42A R to BIPRU 7.2.42DR and BIPRU 7.2.48LR.

71 Correlation trading portfolio - Net short positions PRR
See BIPRU 7.2.42A R to BIPRU 7.2.42DR and BIPRU 7.2.48LR.

18 Total interest rate PRR
This is the sum of the general interest rate, specific interest rate, securitisation securitisation exposures/unrated liquidity facilities, re-securitisation positions / unrated liquidity facilities, ordinary CDS, securitisation securitisation CDS, basic interest rate, options, CAD1,2 and other PRRs, and correlation trading portfolio positions.
This will have the same value as data element 96A in FSA003.
[CEBS’ MKR SA TDI column 9 total less item 4 column 9]

Equity risk
...

22 Qualifying equities
Enter the valuation of the instruments. See BIPRU 7.3.35R to BIPRU 7.3.37G.
[CEBS’ MKR SA EQU item 2.1, column 6]

23 Qualifying equity indices
Enter the valuation of the instruments. See BIPRU 7.3.38R to BIPRU 7.3.39R.

24 Other equities
Enter the valuation of all other equities, equity indices or equities baskets.
[CEBS’ MKR SA EQU item 2.2, column 6]

82 All equities, and other equity indices or equity baskets
Enter the valuation of all equities, other equity indices or equities baskets. See BIPRU 7.3.31G to BIPRU 7.3.34R.
Internal models-based charges
See BIPRU 7.10.

59 Average of previous 60 days VaR
This equates to item (3) in BIPRU 7.10.117G.  
[CEBS’ MKR IM total positions column 1 divided by total positions column 7]

60 Incremental default risk charge
This is the incremental default risk charge under BIPRU 7.10.116R. It also includes the specific risk surcharge under BIPRU 7.10.127G.  
[CEBS’ MKR IM total positions columns 3 and 4]

72 SVaR Multiplier
See BIPRU 7.10.118R to BIPRU 7.10.126G.

73 Latest SVaR
See BIPRU 7.10.27AR

74 Average of previous 60 days SVaR
See BIPRU 7.10.27AR and BIPRU 7.10.117G items (6) and (8).

75 Latest Incremental Risk Charge
See BIPRU 7.10.116R

76 Average of previous 12 weeks Incremental Risk Charge
See BIPRU 7.10.116R and BIPRU 7.10.117G items (10) and (11)

77 Latest All Price Risk Measure
See BIPRU 7.10.55TR to BIPRU 7.10.55YR and BIPRU 7.10.116AR

78 Average of previous 12 weeks All Price Risk Measure
See BIPRU 7.10.55TR to BIPRU 7.10.55YR, BIPRU 7.10.116AR and BIPRU 7.10.117G items (13) and (14)

79 Standard Rules charge for net long correlation trading portfolio products in APR model
Firms should report the total standard rules capital charge before multiplying the charge by the APR floor charge (8%). The APR floor charge is reported in data element 81.
See BIPRU 7.10.55UR

80 Standard Rules charge for net short correlation trading portfolio products in APR model
Firms should report the total standard rules capital charge before multiplying the charge by the APR floor charge (8%). The APR floor charge is reported in data element 81.
See BIPRU 7.10.55UR

81 All Price Risk Floor Charge
See BIPRU 7.10.55UR

61 Internal models-based PRR
See BIPRU 7.10.113R to BIPRU 7.10.117G.
This will have the same value as data element 102A on FSA003.

This is the sum of the VaR capital charge, stressed VaR (SVaR) capital charge, incremental risk charge, all price risks measure and any internal models add-ons. See BIPRU 7.10.113R to BIPRU 7.10.117G.
This will have the same value as data element 102A in FSA003.

…

64 Total Add-ons
The total of items 1 to n in 63
FSA005 – Market risk validations

Internal validations

Data elements are referenced by row then column.

<table>
<thead>
<tr>
<th>Validation number</th>
<th>Data element</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>3G</td>
<td>$3A + 3B + 3C + 3D + 3E + 3F$</td>
</tr>
<tr>
<td>2</td>
<td>10G</td>
<td>$10A + 10B + 10C + 10D + 10E + 10F$</td>
</tr>
<tr>
<td>3</td>
<td>18G</td>
<td>$18A + 18B + 18C + 18D + 18E + 18F$</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>[deleted – replaced by validation 52]</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>[deleted]</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>[deleted]</td>
</tr>
<tr>
<td>7</td>
<td>25G</td>
<td>$(22G \times 2%) + (24G \times 4%) + (23G \times 2%)$ [deleted – replaced by validation 56]</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td>[deleted]</td>
</tr>
<tr>
<td>...</td>
<td></td>
<td></td>
</tr>
<tr>
<td>52</td>
<td>48G</td>
<td>$3G + 10G + 11G + 12G + 13G + 14G + 15G + 16G + 17G$ [deleted – replaced by validation 57]</td>
</tr>
<tr>
<td>53</td>
<td>64G</td>
<td>SUM (63B)</td>
</tr>
<tr>
<td>54</td>
<td>81G</td>
<td>Higher of $(79G \times 8%, 80G \times 8%)$</td>
</tr>
<tr>
<td>55</td>
<td>61G</td>
<td>Higher of $(58G, 59G \times 57G) + higher of (73G, 74G \times 72G) + higher of (75G, 76G) + higher of (77G, 78G, 81G) + 64G$</td>
</tr>
<tr>
<td>56</td>
<td>25G</td>
<td>$(82G \times 8%) + (23G \times 0%) + 65G$</td>
</tr>
<tr>
<td>58</td>
<td>57G</td>
<td>$\geq 3.00$ (if element 57G is reported)</td>
</tr>
<tr>
<td>59</td>
<td>72G</td>
<td>$\geq 3.00$ (if element 72G is reported)</td>
</tr>
</tbody>
</table>
FSA008 – Large Exposures

...  

5R    CNCOM
The amount of CNCOM calculated as set out in BIPRU 10.10.4G to 10.10.10R, BIPRU 10.10A.4G to BIPRU 10.10A.10R (or BIPRU 10.5.16G to 10.5.24G for those utilising TP 33). It should agree with the amount reported in data element 103A on FSA003 for the same reporting date, except when the firm is a member of a UK integrated group/core UK group when there may be some additional CNCOM attributable to the firm.

...

FSA046 – Securitisation – non-trading book

...  

Risk positions – standardised exposures
All exposures that are treated under BIPRU 9.11 should be shown in this section, broken down by credit quality and how the exposure arose, and whether the position is a securitisation or re-securitisation.

Row 4 31 & 32: Originator
This is for exposures where the firm originated the underlying assets.

Row 5 33 & 34: Sponsor
This is for exposures to Asset backed commercial paper programmes.

Row 6 35 & 36: Counterparty credit risk
This is the exposure values generated under BIPRU 13.

Row 7 37 & 38: All other exposures
This is for any standardised exposures not included in data elements 4–6 31–38 above.

Columns A – E
Positions should be split by credit rating according to BIPRU 9.11.2R and BIPRU 9.11.3R.

Column F
This is for positions deducted from capital at part 1 of stage M of the capital calculations in GENPRU 2, Annexes 2R, 3R, 4R, 5R or 6R as appropriate.

Column G
Firms should state the exposure value of securitisation positions for which risk weighted exposure amounts are calculated under BIPRU 9.11.6R to BIPRU 9.11.7G.

Column H
Firms should state the capital requirement for *securitisation positions* for which *risk weighted exposure amounts* are calculated under *BIPRU 9.11.6R* to *BIPRU 9.11.7G*.

**Risk positions – IRB exposures**

All *exposures* that are treated under *BIPRU 9.12* should be shown in this section, broken down by credit quality, granularity and how the *exposure* arose.

**Rows 8 – 10 & 23 -24: Originator**

This is for *exposures* where the *firm* originated the underlying *exposures*.

**Rows 11 – 13 & 25 - 26: Sponsor**

This is for *exposures* to *Asset backed commercial paper programmes*.

**Rows 14 – 16 & 27 - 28: Counterparty credit risk**

This is for exposure values generated under *BIPRU 13* where the *exposure* is also a *securitisation* position.

**Rows 17 – 19 & 29 - 30: All other exposures**

This covers any IRB *exposures* not included above.

**Columns B – M**

This should be split by credit rating according to *BIPRU 9.12.11R* and *BIPRU 9.12.12R*.

**Column N**

*Firms* should state the *exposure* *exposure* value calculated under *BIPRU 9.12.21R* to *BIPRU 9.12.23R*.

**Column O**

This is for positions deducted from capital at part 1 of stage M of the capital calculations in *GENPRU 2*, Annexes 2R, 3R, 4R, 5R or 6R as appropriate.

**Column P**

*Firms* should state the capital requirement calculated under *BIPRU 9.12.21R* to *BIPRU 9.12.23R*.

…

**FSA058 – Securitisation – trading book**

This data item allows a greater understanding of the prudential risk profile of the *firm*. It also enables the *FSA* to lead debate on credit risk transfer in international discussions.

This data item captures information on the *firm’s trading book securitisation positions* which fall under *BIPRU 7.2* where they are acting as *originator*, *sponsor* or *investor*. *Non-trading book securitisations* are captured in FSA046.

The data item has been separated into three sections:

- general *trading book securitisation* information:
- information on non-correlation trading portfolio securitisations, and
- correlation trading portfolio securitisations.

**Currency**

You should report in the currency of your annual audited accounts i.e. in Sterling, Euro, US dollars, Canadian dollars, Swedish Kroner, Swiss Francs or Yen. Figures should be reported in 000s.

**Data elements**

These are referred to by row first, then by column, so data element 2B will be the element numbered 2 in column B.

**Non-correlation trading portfolio securitisations**

**Transaction level information - Where the firm is an originator or sponsor**

All securitisations, on a cumulative basis, where you have acted as an originator or sponsor where the assets are held in the trading book should be shown in this section, irrespective of whether you meet BIPRU 9.3.1R.

... 

After the entry for “3P – Method of retention of net economic interest” insert the following new text which is not underlined.

**Risk positions – standardised exposures**

All non-correlation trading portfolio securitisation positions that are treated under BIPRU 7.2.48DR should be shown in this section, broken down by credit quality, how the exposure arose, and whether the position is a securitisation or resecuritisation.

**Row 31 & 32: Originator**

This is for exposures where the firm originated the underlying assets.

**Row 33 & 34: Sponsor**

This is for exposures where the firm acts as a sponsor.

**Row 35 & 36: Counterparty credit risk**

This is the exposure values generated under BIPRU 13.

**Row 37 & 38: All other exposures**

This is for any standardised exposures not included in data elements 31 – 38 above. For example, a firm that is an investor in trading book securitisations.

**Columns A – E**

Positions should be split by credit rating according to BIPRU 7.2.48DR.

**Column F**
This is for positions deducted from capital at part 1 of stage M of the capital calculations in GENPRU 2, Annexes 2R, 3R, 4R, 5R or 6R as appropriate.

Risk positions – IRB exposures
All exposures that are treated under BIPRU 7.2.48ER should be shown in this section, broken down by credit quality, granularity and how the exposure arose.

Rows 8 – 10 & 23 -24: Originator
This is for exposures where the firm originated the underlying exposures.

Rows 11 – 13 & 25 - 26: Sponsor
This is for exposures where the firm acts as a sponsor.

Rows 14 – 16 & 27 - 28: Counterparty credit risk
This is for exposure values generated under BIPRU 13 where the exposure is also a securitisation position.

Rows 17 – 19 & 29 -30: All other exposures
This covers any IRB exposures not included above. For example, a firm that is an investor in trading book securitisations.

Columns B – M
This should be split by credit rating according to BIPRU 7.2.48ER.

Column N
Firms should state the exposure value calculated under BIPRU 7.2.48AR to BIPRU 7.2.48CR.

Column O
This is for positions deducted from capital at part 1 of stage M of the capital calculations in GENPRU 2, Annexes 2R, 3R, 4R, 5R or 6R as appropriate.

Column P
Firms should state the capital requirement calculated under BIPRU 7.2.48FR.

Total capital requirement (net long positions plus net short positions) broken down by underlying assets
Rows 39 – 47:
Enter the total capital requirement (net long positions & net short positions) broken down by underlying assets as shown.

Correlation trading portfolio positions
Risk positions – standardised exposures
All correlation trading portfolio securitisation positions that are treated under BIPRU 7.2.48DR should be shown in this section, broken down by credit quality and how the exposure arose.

**Row 48: Originator**
This is for exposures where the firm originated the underlying assets.

**Row 49: Sponsor**
This is for exposures where the firm acts as a sponsor.

**Row 50: Counterparty credit risk**
This is the exposure values generated under BIPRU 13.

**Row 51: All other exposures**
This is for any standardised exposures not included in data elements 48 - 50 above. For example, a firm that is an investor in correlation trading portfolio positions.

**Columns A – E**
*Positions* should be split by credit rating according to BIPRU 7.2.48DR.

**Column F**
This is for positions deducted from capital at part 1 of stage M of the capital calculations in GENPRU 2, Annexes 2R, 3R, 4R, 5R or 6R as appropriate.

**Risk positions – IRB exposures**
All exposures that are treated under BIPRU 7.2.47ER should be shown in this section, broken down by credit quality, granularity and how the exposure arose.

**Rows 52 - 54: Originator**
This is for exposures where the firm originated the underlying exposures.

**Rows 55 - 57: Sponsor**
This is for exposures where the firm acts as a sponsor.

**Rows 58 - 60: Counterparty credit risk**
This is for exposure values generated under BIPRU 13 where the exposure is also a securitisation position.

**Rows 61 - 63: All other exposures**
This covers any IRB exposures not included above. For example, a firm that is an investor in correlation trading portfolio positions.

**Columns B – M**
This should be split by credit rating according to BIPRU 7.2.48E R.

**Column N**
*Firms* should state the exposure value calculated under BIPRU 7.2.48AR to BIPRU 7.2.48CR.
**Column O**

This is for positions deducted from capital at part 1 of stage M of the capital calculations in *GENPRU 2*, Annexes 2R, 3R, 4R, 5R or 6R as appropriate.

**Column P**

*Firms* should state the capital requirement calculated under *BIPRU 7.2.48FR*. 