

# **Chapter 1**

## **Commission Delegated Regulation (EU) No 528/2014**

## Article 1 Determination of the Own funds requirements for the non-delta risk of options and warrants

(1) Institutions shall calculate their own funds requirements for market risk in relation to the non-delta risk of options or warrants as required by Article 329(3), Article 352(6) and Article 358(4) of Regulation (EU) No 575/2013, according to one of the following approaches:

- (a) the simplified approach as set out in Articles 2 and 3 of this Regulation;
- (b) the delta plus approach as set out in Articles 4, 5 and 6 of this Regulation;
- (c) the scenario approach as set out in Articles 7, 8 and 9 of this Regulation.

(2) When calculating own funds requirements on a consolidated basis institutions may combine the use of different approaches. On an individual basis, institutions may only combine the scenario approach and the delta plus approach subject to the conditions established in Articles 4 to 9.

(3) For the purposes of the calculation referred to in paragraph 1, institutions shall take the following steps:

- (a) break down baskets of options or warrants into their fundamental components;
- (b) break down caps and floors or other options which relate to interest rates at various dates, into a chain of independent options referring to different time periods ("caplet" and "floorlets");
- (c) treat options or warrants on fixed-to-floating interest rates swaps into options or warrants on the fixed interest leg of the swap;
- (d) treat options or warrants that relate to more than one underlying among those described in Article 5(3), as a basket of options or warrants where each option has a single distinct underlying.