


Chapter 1

Commission Delegated Regulation (EU) No 528/2014



Article 9 Determination of the own funds requirements according to the scenario approach

According to the scenario approach, the own funds requirement on non-delta risk of options or warrants shall be calculated through a process consisting of the following sequence of steps:

- (a) for each individual option or warrant, all the scenarios referred to in Article 8 shall be applied to calculate simulated net loss or gain corresponding to each scenario. That simulation shall be done using full revaluation methods, by simulating the price changes by the use of pricing models and without relying to local approximations of those models;
- (b) for each distinct underlying type, as referred to in Article 5(3), the values obtained as a result of the calculation in point (a) and referring to the individual scenarios, shall be aggregated;
- (c) for each distinct underlying type as referred to in Article 5(3), the "relevant scenario" shall be calculated as the scenario for which the values determined in step (b) result in the largest loss, or the lowest gain if there are no losses;
- (d) for each distinct underlying type, as referred to in Article 5(3), the own funds requirements shall be calculated in accordance with the formula described in Annex II;
- (e) the total own funds requirement in the case of non-delta risk of options or warrants shall be the sum of the own fund requirements obtained from the calculation referred to in step (d) for all distinct underlying types as referred to in Article 5(3).