

Chapter 1

Commission Delegated Regulation (EU) 2016/101

Article 7 Overview of the core approach

(1) Institutions shall calculate AVAs under the core approach, by applying the following two-step approach:

(a) they shall calculate AVAs for each of the categories described in paragraphs 10 and 11 of Article 105 of Regulation (EU) No 575/2013 ("category level AVAs") according to paragraph 2 of this Article;

(b) they shall sum the amounts resulting from point (a) for each of the category level AVAs to provide the total AVAs for the purposes of Article 1.

(2) For the purposes of point (a) of paragraph 1, institutions shall calculate category level AVAs in one of the following ways:

(a) according to Articles 9 to 17;

(b) where the application of Articles 9 to 17 is not possible for certain positions, according to a "fall-back approach", whereby they shall identify the related financial instruments and calculate an AVA as the sum of the following:

(i) 100 % of the net unrealised profit on the related financial instruments;

(ii) 10 % of the notional value of the related financial instruments in the case of derivatives;

(iii) 25 % of the absolute value of the difference between the fair value and the unrealised profit, as determined in point (i), of the related financial instruments in the case of non-derivatives.

For the purposes of point (b)(i) of the first paragraph, "unrealised profit" shall mean the change, where positive, in fair value since trade inception, determined on a first-in-first-out basis.