Chapter 1

Commission Delegated Regulation (EU) 2016/101

Article 12 Calculation of unearned credit spreads AVA

(1) Institutions shall calculate the unearned credit spreads AVA to reflect the valuation uncertainty in the adjustment necessary according to the applicable accounting framework to include the current value of expected losses due to counterparty default on derivative positions.

(2) Institutions shall include the element of the AVA relating to market price uncertainty within the market price uncertainty AVA category. The element of the AVA relating to close-out cost uncertainty shall be included within the close-out costs AVA category. The element of the AVA relating to model risk shall be included within the model risk AVA category.