Chapter 1

Commission Delegated Regulation (EU) 2016/101

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Article 14 Calculation of concentrated positions AVA

(1) Institutions shall estimate a concentrated position AVA for concentrated valuation positions ("individual concentrated positions AVA") by applying the following three-step approach:

(a) they shall identify concentrated valuation positions;

(b) for each identified concentrated valuation position, where a market price applicable for the size of the valuation position is unavailable, they shall estimate a prudent exit period;

(c) where the prudent exit period exceeds 10 days, they shall estimate an AVA taking into account the volatility of the valuation input, the volatility of the bid offer spread and the impact of the hypothetical exit strategy on market prices.

(2) For the purposes of point (a) of paragraph 1, the identification of concentrated valuation positions shall consider all of the following:

(a) the size of all valuation positions relative to the liquidity of the related market;

(b) the institution's ability to trade in that market;

(c) the average daily market volume and typical daily trading volume of the institution.

Institutions shall establish and document the methodology applied to determine concentrated valuation positions for which a concentrated positions AVA shall be calculated.

(3) Institutions shall calculate the total category level AVA for concentrated positions AVA as the sum of individual concentrated positions AVAs.