

Chapter 1

Commission Delegated Regulation (EU) 2016/101

Article 18 Documentation requirements

(1) Institutions shall document appropriately the prudent valuation methodology. This documentation shall include internal policies providing guidance on all of the following points:

- (a) the range of methodologies for quantifying AVAs for each valuation position;
- (b) the hierarchy of methodologies for each asset class, product, or valuation position;
- (c) the hierarchy of market data sources used in the AVA methodology;
- (d) the required characteristics of market data to justify a zero AVA for each asset class, product, or valuation position;
- (e) the methodology applied where an expert based approach is used to determine an AVA;
- (f) the methodology for determining whether a valuation position requires a concentrated position AVA;
- (g) the assumed exit horizon for the purpose of calculating AVAs for concentrated positions, where relevant;
- (h) the fair-valued assets and liabilities for which a change in accounting valuation has a partial or zero impact on CET1 capital according to Article 4(2) and Article 8(1).

(2) Institutions shall also maintain records to allow the calculation of AVAs at valuation exposure level to be analysed, and information from the AVA calculation process shall be provided to senior management to allow an understanding of the level of valuation uncertainty on the institution's portfolio of fair-valued positions.

(3) The documentation specified in paragraph 1 shall be reviewed at least annually and approved by senior management.