Name of respondent: Hu Qin

Date: 27 September 2017

Comment:

The commodity risk capital requirement using SbM is significantly bigger than which using R-SbM. Some tests show that the reduced risk factors caused this difference. If we delete the time to maturity dimension of the risk factors in SbM, the calculation result will significantly decrease. Like foreign exchange, spot commodity position could be hedged by forward commodity position. The risk of a perfect hedged commodity portfolio supposed to be smaller than the calculation result using current SbM. So we suggest the risk factors of commodity risk in SbM don't distinguish the time to maturity of the traded instrument, just like the risk factors in R-SbM.