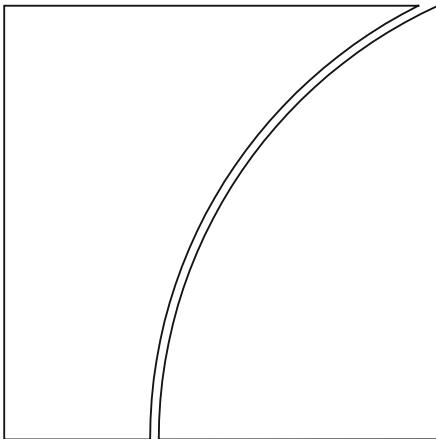


Basel Committee on Banking Supervision



Frequently asked questions on market risk capital requirements

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Introduction

In January 2016, the Basel Committee on Banking Supervision (“the Committee”) published the standard *Minimum capital requirements for market risk*.¹ To promote consistent global implementation of the standard, which is to become the basis for Pillar 1 capital requirements in 2019, the Committee has agreed to periodically review frequently asked questions (FAQs) and publish answers along with any technical elaboration of the standards text and interpretative guidance that may be necessary.

Since publication, the Committee has received a number of questions on the published standards text. This document sets out the first set of responses to questions that have been received. The FAQs below are divided into sections pertaining to the standardised approach and the internal models approach.

1. Standardised approach

1.1 Delta sensitivity

Q1. In the context of delta sensitivity calculations, is it acceptable to use alternative formulations of sensitivities calculations that yield results very close to the prescribed formulation of sensitivities calculations?

Relevant provisions: paragraphs 47 (c), 67 and 71 of the January 2016 market risk framework.

Answer: Yes, as per paragraph 47 (c), a bank may make use of alternative formulations of sensitivities based on pricing models that the bank’s independent risk control unit uses to report market risks or actual profits and losses to senior management. In doing so, the bank is to demonstrate to its supervisor that the alternative formulations of sensitivities yield results very close to the prescribed formulations.

Q2. Regarding paragraph 71 on first-order sensitivity for instruments with optionality, should the requirement to apply a “sticky delta” approach be understood as a prohibition to use “sticky strike”?

Relevant provisions: paragraphs 67 and 71 of the January 2016 market risk framework.

Answer: Both sticky delta and sticky strike approaches are permitted.

1.2 Curvature and vega risk

Q1. Should the risk weight for the curvature risk charge be the highest prescribed delta risk weight for each risk class, or should it be the highest prescribed delta risk weight for each of the delta risk factors which are shocked together in order to determine the curvature risk charge?

Relevant provisions: paragraph 132 of the January 2016 market risk framework.

Answer: The risk weight for the curvature risk charge should be the highest prescribed delta risk weight for each of the delta risk factors which are shocked together to determine the curvature risk charge.

Q2. Instruments with optionality are subject to vega and curvature risk charges. Are vega and curvature risk charges also applicable to instruments with no optionality that are hedged by instruments with optionality? For example, convexity adjustments on constant maturity swaps (CMS) and other products can

¹ Basel Committee on Banking Supervision, *Minimum capital requirement for market risk*, January 2016, www.bis.org/bcbs/publ/d352.pdf.

generate significant vega risks, which are hedged using plain vanilla interest rate swaptions which are subject to vega and curvature.

Relevant provisions: paragraph 49 (a) of the January 2016 market risk framework.

Answer: Yes, only instruments with non-zero vega sensitivities are subject to vega and curvature risk charges. In the example cited, CMS are subject to vega and curvature risk charges.

Q3. *May risk weights be floored for interest rate and credit instruments when applying the risk weights for general interest rate risk (GIRR) or for credit spread risk (CSR), given that there is a possibility of the interest rates being negative (eg for JPY, EUR curves)?*

Relevant provisions: paragraph 53 of the January 2016 market risk framework.

Answer: No such floor is permitted in the market risk standard.

1.3 Residual risk add-on (RRAO)

Q1. *Can hedges (for example, dividend swaps hedging dividend risks) be excluded from the RRAO?*

Relevant provisions: paragraph 58 (f) of the January 2016 market risk framework.

Answer: Hedges may be excluded from the RRAO only if the hedge exactly matches the trade (ie via a back-to-back transaction) as per paragraph 58 (f). For the example cited, dividend swaps should remain within the RRAO.

Q2. *Can total return swap (TRS) products be netted with the underlying product(s) that drive the value of the TRS for the purposes of the RRAO?*

Relevant provisions: paragraph 58 of the January 2016 market risk framework.

Answer: As per paragraph 58 (f), a TRS on an underlying product may be excluded from the RRAO charge if there is an equal and opposite exposure in the same TRS. If no exactly matching transaction exists, the entire notional of the TRS would be allocated to the RRAO.

Q3. *Is future realised volatility considered an "exotic underlying" for the purpose of the RRAO?*

Relevant provisions: paragraph 58 (d) of the January 2016 market risk framework.

Answer: Yes, future realised volatility is considered an exotic underlying for purposes of the RRAO.

1.4 Correlation scenarios

Q1. *Please confirm that for the purposes of paragraphs 54 and 55, the "ultimate portfolio" is the group-level aggregated portfolio when calculating the standardised approach capital charge for paragraphs 45 and 193 and the individual desk portfolio when calculating the standardised approach capital charge per paragraph 184?*

Relevant provisions: paragraphs 45, 54, 55, 184 and 193 of the January 2016 market risk framework.

Answer: Yes, at the level of either the aggregated portfolio or the trading desk, the standardised approach capital charge is the maximum of the standardised approach capital charges across the three correlation scenarios at the concerned level.

1.5 General interest rate risk (GIRR)

Q1. *Different results can be produced depending on the bank's curve methodology as diversification will be different for different methodologies. For example, if three-month Euribor is constructed as a "spread to*

EONIA”, this curve will be a spread curve and can be considered as a different yield curve for the purpose of computing risk-weighted PV01 and subsequent diversification. In this example, should three-month Euribor and EONIA be considered as two distinct yield curves for the purpose of computing the risk charge?

Relevant provisions: paragraph 59 (a) (iii) of the January 2016 market risk framework.

Answer: Paragraph 59 (a) (iii) states that for the purpose of constructing the risk-free yield curve per currency, an overnight index swap curve (such as EONIA) and an interbank offered rate curve (such as three-month Euribor) must be considered two different curves, with distinct risk factors in each tenor bucket, for the purpose of computing the risk charge.

Q2. *If banks may use either a log-normal or normal assumption for vega GIRR, does this mean that the same log-normal or normal assumption should be applied to all currencies, or can the application be different for different currencies? For example, is a bank permitted to adopt a normal assumption for EUR and a log-normal assumption for USD?*

Relevant provisions: paragraph 72 of the January 2016 market risk framework.

Answer: To compute vega GIRR, banks may choose a mix of log-normal and normal assumptions for different currencies.

1.6 Commodity risk

Q1. *For instruments with commodity spreads as underlying, are the spreads considered a risk factor, or does the instrument have to be decomposed? For example, if there is a swap on the spread between WTI and Brent, will delta on the spread be reported, or will delta of WTI and delta of Brent be reported individually?*

Relevant provisions: paragraphs 115 and 117 of the January 2016 market risk framework.

Answer: Instruments with a spread as their underlying are considered sensitive to different risk factors. In the example cited, the swap will be sensitive to both WTI and Brent, each of which require a capital charge at the risk factor level (ie delta of WTI and delta of Brent). The correlation to aggregate capital charges is specified in paragraph 117.

1.7 Credit spread risk (non-securitisations)

Q1. *How are risk weights to be determined when external ratings assigned by credit rating agencies differ and when there are no external ratings available?*

Relevant provisions: paragraphs 82 and 152 of the January 2016 market risk framework; paragraphs 97 and 98 of the Basel II framework; paragraph 104 of the Basel III framework.

Answer: Consistent with the treatment of external ratings under paragraphs 97 and 98 of the credit risk framework in Basel II,² if there are two ratings which map into different risk weights, the higher risk weight should be applied. If there are three or more ratings with different risk weights, the ratings corresponding to the two lowest risk weights should be referred to and the higher of those two risk weights will be applied.

² Basel Committee on Banking Supervision, *Basel II: International Convergence of Capital Measurement and Capital Standards: a revised framework – comprehensive version*, June 2006, www.bis.org/publ/bcbs128.pdf.

Consistent with the treatment where there are no external ratings under paragraph 104 of the CVA risk framework in Basel III,³ where there are no external ratings or where external ratings are not recognised within a jurisdiction, banks may, subject to supervisory approval:

- for the purpose of assigning delta credit spread risk (CSR) non-securitisation risk weights, map the internal rating to an external rating, and assign a risk weight corresponding to either “investment grade” or “high-yield” in the table included in paragraph 82 of the standard *Minimum capital requirements for market risk*;
- for the purpose of assigning default risk weights under the default risk charge, map the internal rating to an external rating, and assign a risk weight corresponding to one of the seven external ratings in the table included in paragraph 152 of the standard *Minimum capital requirements for market risk*; or
- apply the risk weights specified in paragraphs 82 and 154 of the standard *Minimum capital requirements for market risk* for unrated/non-rated categories.

Q2. Does the CSR charge apply to money market instruments (eg bank bills with a tenor of less than one year and interbank placements)?

Relevant provisions: paragraph 8 of the January 2016 market risk framework.

Answer: Yes. The CSR charge applies to money market instruments to the extent such instruments are covered instruments (ie they meet the definition of instruments to be included in the trading book as specified in paragraphs 8 to 20 of the standard *Minimum capital requirements for market risk*).

1.8 Credit spread risk (securitisations)

Q1. Within the definition of correlation trading portfolio (CTP), is the definition of securitisation identical to that under the credit risk framework?

Relevant provisions: paragraph 61 of the January 2016 market risk framework.

Answer: Yes, the definition of “securitisation position” is identical to the definition used in the credit risk framework.

1.9 Default risk

Q1. What is the jump-to-default (JTD) equivalent when decomposing multiple underlying positions of a single security or product (eg index options) for purposes of the standardised approach?

Relevant provisions: paragraph 138, 142 and 145 of the January 2016 market risk framework.

Answer: The JTD equivalent is defined as the difference between the value of the security or product assuming that each single name referenced by the security or product, separately from the others, defaults (with zero recovery) and the value of the security or product assuming that none of the names referenced by the security or product default.

Q2. Paragraph 147 states that for the standardised approach default risk charge, cash equity positions may be attributed a maturity of three months or a maturity of more than one year, at firms’ discretion. Such restrictions do not exist in paragraph 186 for the internal models approach, which allows banks discretion to apply a 60-day liquidity horizon for equity sub-portfolios. Furthermore, paragraph 146 states “... the JTD for all exposures of maturity less than one year and their hedges are scaled by a fraction of a year”. Given the

³ Basel Committee on Banking Supervision, *Basel III: A global regulatory framework for more resilient banks and banking systems – revised version*, June 2011, www.bis.org/publ/bcbs189.pdf.

above-mentioned paragraphs, for purposes of the standardised approach default risk charge, is a bank permitted to assign cash equities and equity derivatives such as index futures any maturity between three months and one year on a sub-portfolio basis in order to avoid broken hedges?

Relevant provisions: paragraphs 146, 147, 148, 149 and 186 of the January 2016 market risk framework.

Answer: No. Such discretion is not permitted in the standardised approach. As required by paragraph 147, cash equity positions are assigned a maturity of either more than one year or three months. There is no discretion permitted to assign cash equity positions to any maturity between three months and one year. In determining the offsetting criterion, paragraph 148 specifies that the maturity of the derivatives contract be considered, not the maturity of the underlying instrument. Paragraph 149 further states that the maturity weighting applied to the JTD for any product with maturity of less than three months is floored at three months.

To illustrate how the standardised approach default risk charge should be calculated with a simple hypothetical portfolio, consider equity index futures with one month to maturity and negative market value of EUR 10 million (–EUR 10 million, Maturity 1M), hedged with the underlying equity positions with a positive market value of EUR 10 million (+EUR 10 million). Both positions in the example should be considered as having a three-month (3M) maturity. Based on paragraph 146, which requires maturity scaling, defined as a fraction of the year, of positions and their hedge, JTD for the above trading portfolio would be calculated as follows: $1/4 \cdot 10 - 1/4 \cdot 10 = 0$.

2. Internal models approach (IMA)

2.1 Expected shortfall (ES)

Q1. To calculate the aggregate capital charge for modellable risk factors (internally modelled capital charge, IMCC) up to 63 daily ES calculations would be necessary if each ES measure were required to be calculated daily. Is it permissible to calculate some of the ES measures weekly or must all measures be calculated daily?

Relevant provisions: paragraphs 181 and 189 of the January 2016 market risk framework.

Answer: The formula specified in paragraph 189

$$IMCC = \rho(IMCC(C)) + (1 - \rho) \left(\sum_{i=1}^R IMCC(C_i) \right)$$

can be rewritten as

$$IMCC = \rho \cdot (IMCC(C)) + (1 - \rho) \cdot \frac{(\sum_{i=1}^R IMCC(C_i))}{(IMCC(C))} \cdot (IMCC(C))$$

with $IMCC(C) = ES_{R,S} \cdot \frac{ES_{F,C}}{ES_{R,C}}$.

While $ES_{R,S}$, $ES_{F,C}$ and $ES_{R,C}$ must be calculated daily, it is generally acceptable that the ratio of "undiversified $IMCC(C)$ to diversified $IMCC(C)$ ", $\frac{(\sum_{i=1}^R IMCC(C_i))}{(IMCC(C))}$, may be calculated on a weekly basis.

By defining ω as $\omega = \rho + (1 - \rho) \cdot \frac{(\sum_{i=1}^R IMCC(C_i))}{(IMCC(C))}$ the formula for the calculation of IMCC can be rearranged, leading to the following expression of IMCC:

$$IMCC = \omega \cdot (IMCC(C))$$

Hence, IMCC can be calculated as a multiple of IMCC(C), where IMCC(C) is calculated daily and the multiplier ω is updated weekly.

Banks must have procedures and controls in place to ensure that the weekly calculation of the “undiversified IMCC(C) to diversified IMCC(C)” ratio does not lead to a systematic underestimation of risks relative to daily calculation. Banks must be in a position to switch to daily calculation upon supervisory direction.

Q2. *What indicator must be maximised for the identification of the stressed period?*

Relevant provisions: paragraphs 181 (d) and 181 (f) of the January 2016 market risk framework.

Answer: IMCC has to be maximised for the modellable risk factors, which implies that $ES_{r,s}$ is maximised, as noted in paragraph 181 (f).

Q3. *Is it correct that the reduced set of risk factors must explain a minimum of 75% of the variation of the full ES at the group level (ie top level) only and not at the desk level in order to be consistent with the stressed period selection performed at group level?*

Relevant provisions: paragraphs 181 (d) and 181 (f) of the January 2016 market risk framework.

Answer: Yes, the reduced set of risk factors must be able to explain a minimum of 75% of the variation of the full ES model at the group level for the aggregate of all desks with IMA model approval.

2.2 Liquidity horizons

Q1. *Please clarify the liquidity horizon to be used for equity dividends and equity repo risk factors.*

Relevant provisions: paragraph 181 (k) of the January 2016 market risk framework.

Answer: The liquidity horizon for equity large cap repo and dividend risk factors is 20 days. All other equity repo and dividend risk factors are subject to a liquidity horizon of 60 days.

Q2. *For mono-currency and cross-currency basis risk, should liquidity horizons of 10 days and 20 days for interest rate-specified currencies and unspecified currencies, respectively, be applied?*

Relevant provisions: paragraph 181 (k) of the January 2016 market risk framework.

Answer: Yes.

Q3. *To which liquidity horizon should inflation risk factors be assigned? Should the liquidity horizon for inflation risk factors be treated consistently with interest rates?*

Relevant provisions: paragraph 181 (k) of the January 2016 market risk framework.

Answer: The liquidity horizon for inflation risk factors should be consistent with the liquidity horizons for interest rate risk factors for a given currency.

2.3 Default risk charge

Q1. *Paragraphs 186 (b) and 186 (i) state that correlations must be measured over a liquidity horizon of one year in line with paragraph 186 (e), which states that a bank must assume constant positions over the one-year capital horizon. However, according to paragraph 186 (e), a minimum liquidity horizon of 60 days can be applied to equity sub-portfolios. Should the correlations for equity sub-portfolios be calibrated utilising a 60-day liquidity horizon for consistency?*

Relevant provisions: paragraphs 186 (b), 186 (e) and 186 (i) of the January 2016 market risk framework.

Answer: Banks are permitted to calibrate correlations to liquidity horizons of 60 days in the case that a separate calculation is performed for equity sub-portfolios and these desks deal predominately in equity

exposures. In the case of a desk with both equity and bond exposures, for which a joint calculation for default risk of equities and bonds needs to be performed, the correlations need to be calibrated to a liquidity horizon of one year.

In this case, a bank is permitted to consistently use a 60-day probability of default (PD) for equities and a one-year PD for bonds.

Q2. Paragraph 186 (b) states, "Default correlations must be based on credit spreads or on listed equity prices." Are banks permitted to also include additional data sources (eg rating time series) in addition to equity prices in order to correct for a correlation bias observed in equity data?

Relevant provisions: paragraph 186 (b) of the January 2016 market risk framework.

Answer: Only credit spreads or listed equity prices are permitted. No additional data sources (eg rating time series) are permitted.

Q3. Paragraph 186 (b) specifies that banks must use a default simulation model with two types of systematic risk factors. To meet this condition, should the model always have two random variables that correspond to the systematic risk factors?

Relevant provisions: paragraph 186 (b) of the January 2016 market risk framework.

Answer: Yes. Systematic risk in a default risk charge (DRC) model must be accounted for via multiple systematic factors of two different types. The random variable that determines whether an obligor defaults must be an obligor-specific function of the systematic factors of both types and of an idiosyncratic factor. For example, in a Merton-type model, obligor i defaults when its "asset return" X_i falls below an obligor-specific threshold that determines the obligor's probability of default. Systematic risk can be described via M systematic regional factors Y_j^{region} ($j = 1, \dots, M$) and N systematic industry factors $Y_j^{industry}$ ($j = 1, \dots, N$). For each obligor i , region factor loadings $\beta_{i,j}^{region}$ and industry factor loadings $\beta_{i,j}^{industry}$ that describe the sensitivity of the obligor's "asset return" to each systematic factor need to be chosen. There must be at least one non-zero factor loading for the "region" type and at least one non-zero factor loading for the "industry" type. The "asset return" of obligor i can be represented as

$$X_i = \sum_{j=1}^M \beta_{i,j}^{region} \cdot Y_j^{region} + \sum_{j=1}^N \beta_{i,j}^{industry} \cdot Y_j^{industry} + \gamma_i \cdot \varepsilon_i$$

where ε_i is the idiosyncratic risk factor and γ_i is the idiosyncratic factor loading.

Q4. Paragraph 186 (e) states that a bank must have constant positions over the chosen liquidity horizon. However, paragraph 186 (j) states that a bank must capture material mismatches between the position and its hedge. Please explain how these two paragraphs are to be consistently applied to securities with a maturity of less than one year.

Relevant provisions: paragraphs 186 (e) and 186 (j) of the January 2016 market risk framework.

Answer: The concept of constant positions has changed in the standard *Minimum capital requirements for market risk* because the capital horizon is now meant to always be synonymous with the new definition of liquidity horizon and no new positions are added when positions expire during the capital horizon. For securities with a maturity under one year, a constant position can be maintained within the liquidity horizon but, much like under the Basel II.5 incremental risk charge (IRC), any maturity of a long or short position must be accounted for when the ability to maintain a constant position within the liquidity horizon cannot be contractually assured.

Q5. Is a 60-day liquidity horizon permitted to be used for all equity positions? Are banks permitted to use a longer liquidity horizon where appropriate, eg where equity is held to hedge hybrid positions (such as convertibles)?

Relevant provisions: paragraph 186 (b) of the January 2016 market risk framework.

Answer: Yes, banks are permitted to use a 60-day liquidity horizon for all equity positions but are permitted to use a longer liquidity horizon where appropriate.

2.4 Backtesting

Q1. *Appendix B.III.a states that “[i]n the case where an outlier can be shown by the firm to relate to a non-modellable risk factor, and the capital requirement for that non-modellable risk factor exceeds the actual or hypothetical loss for that day, it may be disregarded for the purpose of the overall backtesting process if the national supervisor is notified accordingly and does not object to this treatment.” Please confirm if this treatment applies to desk-level backtesting exceptions as well. Also, please confirm if the stressed capital add-on (SES) should be compared with the full loss amount or just the excess amount, ie the difference between actual/hypothetical P&L and VaR.*

Relevant provisions: Appendix B.III of the January 2016 market risk framework.

Answer: If the backtesting exception at a desk-level test is being driven by a non-modellable risk factor that receives an SES capital charge that is in excess of the maximum of the actual or hypothetical P&L loss for that day, it is permitted to be disregarded for the purposes of the desk-level backtesting. The bank must be able to calculate a non-modellable risk factor capital charge for the specific desk and not only for the respective risk factor across all desks.

For example, if the P&L for a desk is EUR –1.5 million and VaR is EUR 1 million, a non-modellable risk factor capital charge (at desk level) of EUR 0.8 million would not be sufficient to disregard an exception for the purpose of desk-level backtesting. The non-modellable risk factor capital charge attributed to the standalone desk level (without VaR) must be greater than the loss of EUR 1.5 million in order to disregard an exception for the purpose of desk-level backtesting.

2.5 P&L attribution

Q1. *In the event trading desks of a bank operate in different time zones compared to the location of the bank’s risk control department, data for risk modelling could be retrieved at different snapshot times compared to the data on which the desks’ front office P&L is based. Are banks permitted to align risk-theoretical P&L and hypothetical P&L in terms of data snapshot times for these desks?*

Relevant provisions: paragraph 183 (b) and Appendix B.II of the January 2016 market risk framework.

Answer: Banks are permitted to align the snapshot time used for the calculation of the risk-theoretical P&L of a desk to the snapshot time used for the derivation of its hypothetical P&L.

Q2. *For the purposes of determining hypothetical P&L (HPL) for backtesting and for P&L attribution, are all valuation adjustments to be excluded from the analysis? That is, what types of valuation adjustments must be excluded from HPL?*

Relevant provisions: paragraph 189 and footnote 44 of the January 2016 market risk framework.

Answer: Banks should not include any valuation adjustments that are updated at a less than daily frequency in their measure of HPL for the purpose of desk-level backtesting and P&L attribution. In addition, banks should not include credit valuation adjustments (CVA), debit valuation adjustments (DVA) or other valuation adjustments (XVA) or bid-ask spreads in their HPL for desk-level backtesting and P&L attribution.

In addition, banks are expected to measure their HPL, including valuation adjustments measured less frequently than daily (but not CVA, DVA, XVA or bid-ask spreads), for each desk, and report this to the

supervisor. At a later date, the Committee will articulate whether additional valuation adjustments should be included in HPL for purposes of desk-level backtesting and P&L attribution tests.

2.6 Non-modellable risk factors (NMRFs)

Q1. *What is the definition of a "committed quote" as referenced in paragraph 183 (c)?*

Relevant provisions: paragraph 183 (c) of the January 2016 market risk framework.

Answer: A committed quote is a price from an arm's length provider at which the provider of the quote must buy or sell the financial instrument.

Q2. *Are banks permitted to use a zero correlation assumption beyond idiosyncratic credit spread risks?*

Relevant provisions: paragraph 190 of the January 2016 market risk framework.

Answer: No. A zero correlation assumption for NMRF capital aggregation is not permitted for idiosyncratic equity risk.

Q3. *Are banks permitted to not capitalise certain risks or risk factors via ES or SES (as appropriate) as long as those risks or risk factors are not included in the model eligibility tests?*

Relevant provisions: paragraph 187 of the January 2016 market risk framework.

Answer: Banks design their own models for use under the IMA. As a result, they may exclude risk factors from IMA models as long as the bank's supervisor does not conclude that the risk factor must be capitalised by either ES or SES. Moreover, at a minimum, the risk factors defined in paragraph 185 need to be covered in the IMA. If a risk factor is capitalised by neither ES nor SES, it is to be excluded from the calculation of risk theoretical P&L (RTPL).

Q4. *Are all transactions and eligible committed quotes valid as real price observations, regardless of size?*

Relevant provisions: paragraph 183 (c) of the January 2016 market risk framework.

Answer: Orderly transactions and eligible committed quotes with a non-negligible volume, as compared to usual transaction sizes for the bank, reflective of normal market conditions can be generally accepted as valid.

2.7 IMA eligibility

Q1. *The first step of the model approval process is an overall assessment of a bank's firm-wide internal risk capital model based on both qualitative and quantitative requirements. Does the use of the term "firm-wide" include a group of trading desks to be nominated as in-scope for model approval?*

Relevant provisions: paragraph 183 (a) of the January 2016 market risk framework.

Answer: The term "firm-wide" is defined as pertaining to the group of trading desks that the bank nominates as in-scope in their application for the IMA.

Q2. *As securitisations are out of scope for the IMA, are banks required to segregate desks to ensure securitisation and non-securitisation products reside in different trading desks? If not, how should banks test model eligibility?*

Relevant provisions: paragraph 183 (c) of the January 2016 market risk framework.

Answer: Securitisation positions are out of scope for IMA regulatory capital treatment, and as a result they are not taken into account for the model eligibility tests. This implies that banks are not allowed to include securitisations in trading desks for which they determine market risk capital requirements using the IMA.

Securitisations must be included in trading desks for which capital requirements are determined using the standardised approach. Banks are allowed to also include hedging instruments in trading desks which include securitisations and are capitalised using the standardised approach.