Basel Committee on Banking Supervision

DIS

Disclosure requirements

DIS51

Credit valuation adjustment risk

This chapter describes disclosure requirements for CVA risk.

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First version in the format of the consolidated framework. Updated to take account of new implementation date as announced on 27 March 2020 and the technical amendments published in November 2023.

BANK FOR INTERNATIONAL SETTLEMENTS

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Introduction

51.1

The disclosure requirements under this section are:

General information about CVA risk:

1. Table CVAA - General qualitative disclosure requirements related to CVA
2. Template CVA1 - The reduced basic approach for CVA (BA-CVA)
3. Template CVA2 - The full basic approach for CVA (BA-CVA)
4. Table CVAB - Qualitative disclosures for banks using the SA-CVA
5. Template CVA3 - The standardised approach for CVA (SA-CVA)
6. Template CVA4 - RWA flow statements of CVA risk exposures under SA-CVA

CVA risk under the basic approach (BA-CVA):

CVA risk under the standardised approach (SA-CVA):

Table CVAA: General qualitative disclosure requirements related to CVA

TABLE.1

Purpose: To provide a description of the risk management objectives and policies for CVA risk.	
Scope of application: The table is mandatory for all banks that are subject to CVA capital requirements, including banks which are qualified and have elected to set its capital requirement for CVA at 100% of its counterparty credit risk charge.	
Content: Qualitative information.	
Frequency: Annual.	
Format: Flexible.	
Banks must describe their risk management objectives and policies for CVA risk as follows:	
(a)	An explanation and/or a description of the bank's processes implemented to identify, measure, monitor and control the bank's CVA risks, including policies for hedging CVA risk and the processes for monitoring the continuing effectiveness of hedges.
(b)	Whether the bank is eligible and has chosen to set its capital requirement for CVA at 100% of the bank's capital requirement for counterparty credit risk as applicable under MAR40.

Template CVA1: The reduced basic approach for CVA (BA-CVA)

TABLE.2

Purpose: To provide the components used for the computation of capital requirements under the reduced BA-CVA for CVA risk.

Scope of application: The template is mandatory for banks having part or all of their capital requirements for CVA risk measured according to the reduced BA-CVA. The template should be completed with only the amounts obtained from the netting sets which are under the reduced BA-CVA.

Content: Capital requirements.

Frequency: Semiannual.

Format: Fixed.

Accompanying narrative: Banks must describe the types of hedge they use even if they are not taken into account under the reduced BA-CVA.

		a	b
		Components	Capital requirements under BA-CVA
1	Aggregation of systematic components of CVA risk		
2	Aggregation of idiosyncratic components of CVA risk		
3	**Total**		

Definitions and instructions

Row number	**Explanation**
1	*Aggregation of systematic components of CVA risk:* Capital requirements under perfect correlation assumption ($\sum_c SCVA_c$) as per MAR50.14.
2	*Aggregation of idiosyncratic components of CVA risk:* Capital requirements under zero correlation assumption (sqrt($\sum_c SCVA_c 2$)) as per MAR50.14.
3	*Total:* $DS_{BA\text{-}CVA}$ x $K_{reduced}$ as per MAR50.14.

Linkages across templates
[CVA1:3/b] is equal to [OV1:10/c] if the bank only uses the reduced BA-CVA for all CVA risk exposures.

Template CVA2: The full basic approach for CVA (BA-CVA)

TABLE.3

Purpose: To provide the components used for the computation of capital requirements under the full BA-CVA for CVA risk.
Scope of application: The template is mandatory for banks having part or all of their capital requirements for CVA risk measured according to the full version of the BA-CVA. The template should be fulfilled with only the amounts obtained from the netting sets which are under the full BA-CVA.
Content: Capital requirements.
Frequency: Semiannual.
Format: Fixed. Additional rows can be inserted for the breakdown of other risks.

		a
		Capital requirements under BA-CVA
1	K Reduced	
2	K Hedged	
3	**Total**	

Definitions and instructions

Row number	Explanation
1	*K Reduced:* $DS_{BA\text{-}CVA}$ x $K_{reduced}$ as per MAR50.14.
2	*K Hedged:* $DS_{BA\text{-}CVA}$ x K_{hedged} as per MAR50.21.
3	*Total:* $DS_{BA\text{-}CVA}$ x K_{full} as per MAR50.20.

Linkages across templates
[CVA2:3/a] is equal to [OV1:10/c] if the bank only uses the full BA-CVA for all CVA risk exposures.

Table CVAB: Qualitative disclosures for banks using the SA-CVA

TABLE.4

Purpose: To provide the main characteristics of the bank's CVA risk management framework.
Scope of application: The table is mandatory for all banks using the SA-CVA to calculate their capital requirements for CVA risk.

Content: Qualitative information.

Frequency: Annual.

Format: Flexible.

Banks must provide the following information on their CVA risk management framework:

(a)	A description of the bank's CVA risk management framework.
(b)	A description of how senior management is involved in the CVA risk management framework.
(c)	An overview of the governance of the CVA risk management framework (eg documentation, independent control unit, independent review, independence of the data acquisition from the lines of business).

Template CVA3: The standardised approach for CVA (SA-CVA)

TABLE.5

Purpose: To provide the components used for the computation of capital requirements under the SA-CVA for CVA risk.

Scope of application: The template is mandatory for banks having part or all of their capital requirements for CVA risk measured according to the SA-CVA.

Content: Capital requirements.

Frequency: Semiannual.

Format: Fixed. Additional rows can be inserted for the breakdown of other risks.

		a	b
		Capital requirements under SA-CVA	Number of counterparties
1	Interest rate risk		
2	Foreign exchange risk		
3	Reference credit spread risk		
4	Equity risk		
5	Commodity risk		
6	Counterparty credit spread risk		

7	**Total (sum of rows 1 to 6)**		

Linkages across templates
[CVA3:7/a] is equal to [OV1:10/a] if the bank only uses the SA-CVA for all CVA risk exposures.

Template CVA4: RWA flow statements of CVA risk exposures under SA-CVA

TABLE.6

Purpose: Flow statement explaining variations in RWA for CVA risk determined under the SA-CVA.

Scope of application: The template is mandatory for banks using the SA-CVA.

Content: RWA for CVA risk. Changes in RWA amounts over the reporting period for each of the key drivers should be based on a bank's reasonable estimation of the figure.

Frequency: Quarterly.

Format: Fixed.

Accompanying narrative: Banks are expected to supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes. Factors behind changes could include movements in risk levels, scope changes (eg movement of netting sets between SA-CVA and BA-CVA), acquisition and disposal of business/product lines or entities or foreign currency translation movements.

		a
1	**Total RWA for CVA at previous quarter-end**	
2	**Total RWA for CVA at end of reporting period**	

Linkages across templates
[CVA4:1/a] is equal to [OV1:10/b]
[CVA4:2/a] is equal to [OV1:10/a]