**ANNEX XXX – Market risk standardized and internal approach disclosure tables and templates: Instructions**

1. This annex includes the instructions that institutions shall follow when disclosing the information referred to in Articles 435, 445 and 455 of Regulation (EU) 575/2013[[1]](#footnote-1) (“CRR”) to complete the market risk disclosure tables and templates which are presented in Annex XXIX to this Implementing Regulation.

**Table EU MRA** **- Qualitative disclosure requirements related to market risk:** Free format text boxes

1. Institutions shall disclose the information referred to in points (a) to (d) of Article 435(1) CRR with regards to market risk by following the instructions provided below in this Annex to complete table EU MRA which is presented in Annex XXIX to this Implementing Regulation.

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| **Legal references and instructions** |
| **Row number** | **Explanation** |
| (a) | When disclosing information referred to in points (a) and (d) of Article 435 (1) CRR on the risk management objectives and policies to manage market risk, institutions shall include:* an explanation of their management’s strategic objectives in undertaking trading activities;
* the processes implemented to identify, measure, monitor and control the institution’s market risks;
* the policies for hedging and mitigating risk;
* strategies and processes for monitoring the continuing effectiveness of hedges.
 |
| (b) | When disclosing information referred to in point (b) of Article 435 (1) CRR on the structure and organisation of the market risk management function, institutions shall include:* a description of the market risk governance structure established to implement the strategies and processes of the institution discussed in row (a) above,
* a description of the relationships and the communication mechanisms between the different parties involved in market risk management.
 |
| (c) | When disclosing information referred to in point (c) of Article 435 (1) CRR on the scope and nature of market risk disclosure and measurement systems, institutions shall provide a description of the scope and nature of market risk disclosure and the measurement systems.  |

**Template EU MR1 - Market risk under the standardised approach**: fixed format

1. Institutions shall disclose the information referred to in Article 445 CRR by following the instructions provided below in this Annex to complete template EU MR1 which is presented in Annex XXIX to this Implementing Regulation.

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| **Legal references and instructions** |
| **Row number** | **Explanation** |
|  | ***Outright products*** |
| 1 | **Interest rate risk (general and specific)** General and specific risk of positions in traded debt instruments in the trading book, in accordance with Chapter 2 of Title IV of Part Three CRR, excluding specific risk related to securitisation, and which are not optional |
| 2 | **Equity risk (general and specific)**General and specific risk of positions in equities in the trading book, in accordance with Chapter 2 of Title IV of Part Three CRR, excluding optional instruments |
| 3 | **Foreign exchange risk**Risk of positions in foreign exchange in accordance with Chapter 3 of Title IV of Part Three CRR, excluding optional instruments |
| 4 | **Commodity risk**Risk of positions in commodities in accordance with Chapter 4 of Title IV of Part Three CRR, excluding optional instruments |
|  | **Options** |
| 5 | **Simplified approach**Options or warrants as defined in Article 329 (3) of Chapter 2 of Title IV of Part Three CRR for which institutions calculate the own funds requirements related to the non-delta risk using the simplified approach[[2]](#footnote-2) |
| 6 | **Delta plus approach**Options or warrants in the trading book as defined in Article 329 (3) of Chapter 2 of Title IV of Part Three CRR for which institutions calculate the own funds requirements related to the non-delta risk using the delta plus approach[[3]](#footnote-3). |
| 7 | **Scenario approach**Options or warrants in the trading book as defined in Article 329 (3) of Chapter 2 of Title IV of Part Three CRR for which institutions calculate the own funds requirements related to the non-delta risk using the scenario approach[[4]](#footnote-4). |
| 8 | **Securitisation (specific risk)**Specific risk of securitisation positions in the trading book in accordance with in Articles 337 and 338 of Chapter 2 of Title IV of Part Three CRR. |
| 9 | **Total**Sum of amounts in rows 1 to 8 of this template. |
| **Column letter** | **Explanation** |
| a | **RWEAs**Disclosure of risk weighted exposures referred to in point (d) of Article 438 CRR, computed as the value in column b multiplied by 12.5 in accordance with point (b) of Article 92 (4) CRR |

**Table EU MRB: Qualitative disclosure requirements for institutions using the internal Market Risk Models**: free text format

1. Institutions shall disclose the information referred to of points (a), (b), (c) and (f) of Article 455 CRR by following the instructions provided below in this Annex to complete table EU MRB which is presented in Annex XXIX to this Implementing Regulation.

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| **Legal references and instructions** |
| **Row number** | **Explanation** |
| EU (a) | When disclosing information referred to in point (c) of Article 455 CRR on the extent and methodologies for compliance with the requirements of Article 104 CRR, institutions shall include:* a description of the procedures and systems implemented for the assurance of tradability of the positions included in the trading book to comply with the requirements of Article 104 CRR;
* a description of the methodology used to ensure that the policies and procedures implemented for the overall management of the trading book are appropriate.
 |
| EU (b) | When disclosing information referred to in point (c) of Article 455 CRR on the extent and methodologies for compliance with the requirements of Article 105 CRR, institutions shall include:* a description of the valuation methodologies, including an explanation of how far mark-to-market and mark-to-model methodologies are used;
* description of the independent price verification process;
* procedures for valuation adjustments or reserves (including a description of the process and the methodology for valuing trading positions by type of instrument).
 |
| **(A)** | **Institutions using VaR models and SVaR models, as defined in Article 365 CRR** |
| (a) | When disclosing information referred to in point (a)(i) of Article 455 and point (b) of Article 455 CRR, institutions shall include a description of activities and risks covered by the VaR and SVaR models, specifying how they are distributed in portfolios/sub-portfolios for which the competent authority has granted permission. |
| (b) | When disclosing referred to in point (b) of Article 455 CRR, institutions shall include:* a description of the scope of application of the VaR and SVaR models for which the competent authority has granted permission;
* when relevant, information on which entities in the group use these models and how the models represent all the models used at the group level, as well as the percentage of own funds requirements covered by the models /or if the same models of VaR/SVaR are used for all entities with market risk exposure.
 |
|  | Disclosures of information referred to in point (a)(i) of Article 455 CRR on the characteristics of the model used shall include: |
| (c) | A general description of regulatory VaR and SVaR models  |
| (d) | A discussion of the main differences, if any, between the models used for management purposes and the model used for regulatory purposes (10 day 99%) for VaR and SVaR models |
| (e) | For VaR models: |
| (i) | The data updating frequency; |
| (ii) | The length of the data period that is used to calibrate the model. A description of the weighting scheme that is used (if any); |
| (iii) | A description on how the institutions determines the 10-day holding period (for example, does it scale up a 1-day VaR by the square root of 10, or does it directly model the 10-day VaR?); |
| (iv) | A description of the aggregation approach, which is the method for aggregating the specific and general risk (i.e. do the institutions calculate the specific charge as a stand-alone charge by using a different method than the one used to calculate the general risk or do the institutions use a single model that diversifies general and specific risk?); |
| (v) | Valuation approach (full revaluation or use of approximations); |
| (vi) | Whether, when simulating potential movements in risk factors, absolute or relative returns (or a mixed approach) are used (i.e. proportional change in prices or rates or absolute change in prices or rates). |
| (f) | For SVaR models: |
| (i) | A description on how the 10-day holding period is determined. For example, does the institution scale up a 1-day VaR by the square root of 10, or does it directly model the 10-day VaR? If the approach is the same as for the VaR models, the institutions may confirm this and refer to disclosure (e) (iii) above; |
| (ii) | A description of the stress period chosen by the institution and the rationale for this choice; |
| (iii) | A description of the valuation approach (full revaluation or use of approximations). |
| (g) | When disclosing information referred to in point (a)(iii) of Article 455 CRR, institutions shall include a description of stress testing applied to the modelling parameters consistent with information disclosed under (A)(a) above (main scenarios developed to capture the characteristics of the portfolios to which the VaR and SVaR models apply at the group level). |
| (h) | When disclosing information referred to in point (a)(iv) of Article 455 CRR, institutions shall disclose a description of the approach used for backtesting/validating the accuracy and internal consistency of data and parameters used for the internal models and modelling processes. |
| **(B)** | **Institutions using internal models to measure the own funds requirements for the incremental default and migration risk (IRC) in accordance with Sections 3 and 4 of Chapter 5 of Title IV of Part Three CRR** |
| (a) | When disclosing information referred to in point (a)(ii) of Article 455 and with point (b) of Article 455 CRR, institutions shall include a description of risks covered by the IRC models, specifying how they are distributed in portfolios/sub-portfolios for which the competent authority has granted permission. |
| (b) | Information referred to in point (b) of Article 455 CRR shall include a description of the scope of application of the IRC model for which the competent authority has granted permission, and shall be complemented by information on which entities in the group use these models and how the models represent all the models used at the group level, including the percentage of own funds requirements covered by the models or if the same models of IRC is used for all entities with market risk exposure. |
|  | Information referred to in point (a)(ii) of Article 455 CRR on the characteristics of the IRC models used shall include: |
| (c) | A general description of the methodology used for internal models for incremental default and migration risk, including: |
| (i) | Information about the overall modelling approach (notably, the use of spread-based models or transition matrix-based models); |
| (ii) | Information on the calibration of the transition matrix; |
| (iii) | Information about correlation assumptions; |
| (d) | Institutions shall include a description of the approach used to determine liquidity horizons; |
| (e) | Institutions shall include a description of the methodology used to achieve a capital assessment that is consistent with the required soundness standard; |
| (f) | Institutions shall include a description of the approach used in the validation of the models. |
| (g) | Information referred to in point (a)(iii) of Article 455 CRR shall include a description of the stress testing applied to the modelling parameters consistent with information disclosed under (B)(a) above (main scenarios developed to capture the characteristics of the portfolios to which the IRC models apply at the group level). |
| (h) | Information referred to in point (a)(iv) of Article 455 CRR shall include a description of the approach used for backtesting/validating the accuracy and internal consistency of data and parameters used for the IRC internal models and modelling processes |
| **(C)** | **Institutions using internal models to measure own funds requirements for correlation trading portfolio (comprehensive risk measure) in accordance with Section 5 of Chapter 5 of Title IV of Part Three CRR** |
| (a) | When disclosing information referred to in point (a)(ii) of Article 455 and point (b) of Article 455 CRR, institutions shall include a description of risks covered by the comprehensive risk measure models, specifying how they are distributed in portfolios/sub-portfolios for which the competent authority has granted permission. |
| (b) | Information referred to in point (b) of Article 455 CRR shall include a description of the scope of application of the comprehensive risk measure models for which the competent authority has granted permission. It shall be complemented by information on which entities in the group use these models and how the models represent all the models used at the group level, including the percentage of own funds requirements covered by the models or if the same models of IRC is used for all entities with market risk exposure. |
|  | Information referred to in point (a)(ii) of Article 455 CRR on the characteristics of the comprehensive risk measure models used shall include: |
| (c) | A general description of the methodology used for correlation trading, including: |
| (i) | Information about the overall modelling approach (choice of model correlation between default/migrations and spread: (i) separate but correlated stochastic processes driving migration/default and spread movement; (ii) spread changes driving migration/default; or (iii) default/migrations driving spread changes); |
| (ii) | Information used to calibrate the parameters of the base correlation: LGD pricing of the tranches (constant or stochastic); |
| (iii) | Information on the choice of whether to age positions (profits and losses based on the simulated market movement in the model calculated based on the time to expiry of each position at the end of the 1-year capital horizon or using their time to expiry at the calculation date); |
| (d) | Institutions shall include a description of the approach used to determine liquidity horizons. |
| (e) | Institutions shall include a description of the methodology used to achieve a capital assessment that is consistent with the required soundness standard. |
| (f) | Institutions shall include a description of the approach used in the validation of the models. |
| (g) | Information referred to in point (a)(iii) of Article 455 CRR shall include a description of stress testing applied to the modelling parameters (main scenarios developed to capture the characteristics of the portfolios to which the comprehensive risk measure models apply at the group level). |
| (h) | Information referred to in point (a)(iv) of Article 455 CRR shall include a description of the approach used for backtesting or validating the accuracy and internal consistency of data and parameters used for the comprehensive risk measure internal models and modelling processes. |
| (i) | Institutions shall complement the disclosed information regarding the internal models for the incremental default and migration risk and for correlation trading portfolios with the information referred to in point (f) of Article 455 on the weighted average liquidity horizon for sub-portfolios, coherent with the description provided under rows (B) (a) and (d) and (C) (a) and (d)) of table EU MRB. |

**Template EU MR2-A - Market risk under the internal Model Approach (IMA):** fixed format

1. Institutions shall disclose the information referred to point (e) of Article 455 CRR by following the instructions provided below in this Annex to complete template EU MR2-A which is presented in Annex XXIX to this Implementing Regulation.

|  |
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| **Legal references and instructions** |
| **Row number** | **Explanation** |
| **1** | **VaR** (higher of values a and b) |
| a | *Previous day’s VaR (VaRt-1)*Previous day’s value at-risk number (VaRt-1) calculated in accordance with Article 365(1) CRR |
| b | *Multiplication factor (mc) x average of previous 60 working days (VaRavg)*Average of the daily value at-risk numbers calculated in accordance with Article 365(1) CRR, on each of the preceding 60 business days (VaRavg) x multiplied by the multiplication factor (mc) in accordance with Article 366 CRR |
| **2** | **SVaR** (higher of values a and b) |
| a | *Latest available SVaR (SVaRt-1))*Latest available stressed-value-at-risk number (sVaRt-1) calculated in accordance with Article 365(2) CRR |
| b | *Multiplication factor (ms) x average of previous 60 working days (sVaRavg)*Average of the stressed value-at-risk numbers calculated in the manner and frequency specified in Article 365(2) CRR during the preceding sixty business days (sVaRavg), multiplied by the multiplication factor (ms) in accordance with Article 366 CRR |
| **3** | **IRC** (higher of values a and b) |
| a | *Most recent IRC measure*Most recent risk number for the incremental default and migration risk calculated in accordance with Section 3 of Chapter 5 of Title IV of Part Three CRR |
| b | *12 weeks average IRC measure*Average of risk number for the incremental default and migration risk calculated in accordance with Section 3 of Chapter 5 of Title IV of Part Three CRR over the preceding 12 weeks |
| **4** | **Comprehensive risk measure** (higher of values a, b and c) |
| a | *Most recent risk measure of comprehensive risk measure*Most recent risk number for the correlation trading portfolio calculated in accordance with Section 5 of Chapter 5 of Title IV of Part Three CRR |
| b | *12 weeks average of comprehensive risk measure*Average of the risk number for the correlation trading portfolio calculated in accordance with Section 5 of Chapter 5 of Title IV of Part Three CRR, over the preceding 12-weeks |
| c | *Comprehensive risk measure – Floor*8 % of the own funds requirement that would, at the time of calculation of the most recent risk number referred to in row (a) of this template, be calculated in accordance with Article 338 (4) CRR, for all those positions incorporated into the internal model for the correlation trading portfolio |
| **5** | **Other**Other refers to additional own funds required by supervisors for institutions using the internal model approach for market risk (e.g. additional capital according to Article 101 of Directive 2013/36/UE). |
| **6** | **Total** (1+2+3+ 4+5) |
| **Column letter** | **Explanation** |
| a | **RWEAs**Disclosure of risk weighted exposures referred to in point (d) of Article 438 CRR, computed as the value in column b multiplied by 12.5 in accordance with point (b) of Article 92(4) CRR. |
| b | **Own funds requirements**Own funds requirements for market risk as determined in Chapter 5 of Title IV of Part Three CRR in accordance with instructions in rows 1 to 4 above. |

**Template EU MR2-B - RWEA flow statements of market risk exposures under the IMA:** fixed format

1. Institutions shall disclose the information referred to in point (h) of Article 438 CRR by following the instructions provided below in this Annex to complete template EU MR2-B which is presented in Annex XXIX to this Implementing Regulation.
2. Institutions shall disclose the flows of RWEA as the changes between the risk-weighted exposure amounts at the end of the disclosure reference period (as specified below in row 8) and the risk-weighted exposure amounts at end of the prior disclosure reference period (as specified below in row 1; in the case of quaterly disclosures, end-of-quarter prior to the quarter of the disclosure reference period). Institutions may complement their Pillar 3 disclosures by disclosing the same information for the three previous quarters.
3. Institutions shall explain in the accompanying narrative to the template the figures disclosed in row 8 of this template, i.e. any other drivers that contribute significantly to RWEA variations.

|  |
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| **Legal references and instructions** |
| **Row number** | **Explanation** |
| **1** | **RWEAs at previous period end**Risk weighted exposure amounts at the end of the previous period derived from the sum of own funds requirements in accordance with Article 364 CRR with the exception of point (a) of Article 364 (2) CRR, and any additional own funds required by supervisors for institutions using the internal model approach for market risk, multiplied by 12.5 in accordance with point (b) of Article 92(4) CRR |
| 2 | *Movement in risk levels*Changes due to position changes, other than those driven by regulatory policy changes |
| 3 | *Model changes*Significant updates to the model to reflect recent experience (e.g. recalibration), as well as significant changes in model scope. If more than one model update has taken place, additional rows could be necessary. |
| 4 | *Methodology and policy*Methodology changes to the calculations driven by regulatory policy changes |
| 5 | *Acquisitions and disposals*Modifications due to acquisition or disposal of business/product lines or entities |
| 6 | *Foreign exchange movements*Changes arising from foreign currency translation movements |
| 7 | *Other*This category shall be used to capture changes that cannot be attributed to any category of drivers included in rows 2 to 6 of this template, and the explanations regarding the drivers of these changes must be provided in the accompanying narrative.  |
| **8** | **RWEAs at the end of the disclosure period**Risk weighted exposure amounts at the end of the period derived from the sum of own funds requirements in accordance with Article 364 CRR with the exception of point (a) of Article 364 (2) CRR, and any additional own funds required by supervisors for institutions using the internal model approach for market risk, multiplied by 12.5 in accordance with point (b) of Article 92(4) CRR |
| 1a/1b/ 8a/8b | Rows 1a/1b and 8a/8b of this template shall be used when the RWEA/own funds requirement for any of the columns a to d of this template is the 60-day average (for VaR and SVaR) or the 12-week average measure or the floor measure (for IRC and Comprehensive risk measure) and not the RWEA/own funds requirement at the end of the period (previous or disclosure) in accordance with points (a)(i) and (b)(i) of Article 364 (1), with point (b)(i) of Article 364(2) and with point (a) of Article 364(3) CRR. The amount in additional rows 1a and 8b shall be the difference between the final derived RWEA on average measures, as disclosed in rows 1 or 8 of this template, and the measures derived directly from the models in rows 1b/8a of this template. In these cases, additional rows for regulatory adjustment (1a and 8b of this template) ensure that the institution is able to provide the source of changes in RWEA/own funds requirement on the basis of the last RWEA/own funds requirement measure at the end of the period (previous or disclosure), in rows 1b and 8a of this template. In this case, rows 2, 3, 4, 5, 6, 7 of this template reconcile the value in row 1b and 8a[[5]](#footnote-5) of this template.  |
| **Column letter** | **Explanation** |
| a | *VaR* Key drivers of changes over the period in accordance with row (2) to (7) of this template (on the basis of a reasonable estimation), of the value at-risk RWEAs derived from the own funds requirements in accordance with point (a) of Article 364(1) CRR.  |
| b | *SVaR*Key drivers of changes over the period in accordance with row (2) to (7) of this template (on the basis of a reasonable estimation), of the stressed value at-risk RWEAs derived from the own funds requirements in accordance with point (b) of Article 364 (1) CRR, and any additional own funds required by supervisors |
| c | *IRC*Key drivers of changes over the period in accordance with row (2) to (7) of this template (on the basis of a reasonable estimation), of the incremental default and migration RWEAs derived from the own funds requirements in accordance with point (b) of Article 364(2) CRR, and any additional own funds required by supervisors |
| d | *Comprehensive risk measure*Key drivers of changes over the period in accordance with row (2) to (7) of this template (on the basis of a reasonable estimation), of the correlation trading portfolio RWEAs derived from the own funds requirements in accordance with Article 364(3) CRR, and any additional own funds required by supervisors |
| e | *Other*Key drivers of changes over the period in accordance with row (2) to (7) of this template of RWEAs on the basis of model approaches not reported in columns (a) to (d) |
| f | Total RWEAs (a + b + c + d + e) |
| g | Total own funds requirements (f x 8%) |

**Template EU MR3 - IMA values for trading portfolios:** fixed format

1. Institutions shall disclose the information referred to point (d) of Article 455 CRR by following the instructions provided below in this Annex to complete template EU MR3 which is presented in Annex XXIX to this Implementing Regulation.

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| **Legal references and instructions** |
| **Row number** | **Explanation** |
|  | ***VaR (10 day 99%)***Value at-risk measure in accordance with Article 365(1) CRRThe amounts shall not include additional own fund requirements on supervisor’s decision (related to the multiplier, for instance). |
| 1 to 4 | Highest/Lowest/mean of daily value at-risk measures over the period and period end daily value at-risk measure. |
|  | ***SVaR (10 day 99%)***Stressed Value at-risk measure in accordance with Article 365(2) CRRThe amounts shall not include additional own fund requirements on supervisor’s decision (multiplier). |
| 5 to 8 | Highest/Lowest/mean of stressed daily value at-risk measure over the period and period end daily value at-risk measure. |
|  | ***IRC (99.9%)***Incremental default and migration risk value in accordance with Section 3 of Chapter 5 of Title IV of Part Three CRRThe amounts shall not include additional own fund requirements on supervisor’s decision (multiplier). |
| 9 to 12 | Highest/lowest/mean of IRC measures over the period and period end daily value at-risk measure |
|  | ***Comprehensive risk measure (99.9%)***Correlation trading portfolios value in accordance with Section 5 of Chapter 5 of Title IV of Part Three CRR |
| 13 to 16 | Highest/lowest/mean of correlation trading portfolios measures over the period and period end daily value at-risk measure |
| **Column letter** | **Explanation** |
| a | Highest/lowest/mean values over the disclosure period and end of period values corresponding to rows (1) to (16) of this template |

**Template EU MR4 - Comparison of VaR estimates with gains/losses: Flexible template**

1. With respect to information referred to in point (g) of Article 455 CRR institutions shall disclose a chart which is presented in Annex XXIX to this Implementing Regulation, including the information indicated in this table.

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| **Legal references and instructions** |
|  | **Explanation** |
|  | Information referred to in point (g) of Article 455 CRR shall include the value of the risk measure used for regulatory purposes in accordance with Article 365(1) CRR, calibrated to a 1-day holding period to compare with the 99% confidence level with institution’s trading outcomes |
|  | Institutions shall present an analysis of ‘outliers’ (backtesting exceptions as per Article 366 CRR) in backtested results, specifying the dates and the corresponding excess (VaR-P&L). The analysis should at least specify the key drivers of the exceptions. Institutions shall disclose similar comparisons for actual P&L and hypothetical P&L (i.e. on the basis of hypothetical changes in portfolio values that would occur if end-of-day positions remain unchanged) as per Article 366 CRR. Institutions shall complement this information with information about actual gains/losses, and especially a clarification whether they include reserves and, if not, how reserves are integrated into the backtesting process.  |

1. Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 ([OJ L 176, 27.6.2013, p. 1](https://eur-lex.europa.eu/legal-content/EN/AUTO/?uri=OJ:L:2013:176:TOC)). [↑](#footnote-ref-1)
2. As defined in COMMISSION DELEGATED REGULATION (EU) No 528/2014 of 12 March 2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for non-delta risk of options in the standardised market risk approach (OJ L 148, 20.5.2014, p. 29). [↑](#footnote-ref-2)
3. As defined in COMMISSION DELEGATED REGULATION (EU) No 528/2014 of 12 March 2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for non-delta risk of options in the standardised market risk approach (OJ L 148, 20.5.2014, p. 29). [↑](#footnote-ref-3)
4. As defined in COMMISSION DELEGATED REGULATION (EU) No 528/2014 of 12 March 2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for non-delta risk of options in the standardised market risk approach (OJ L 148, 20.5.2014, p. 29). [↑](#footnote-ref-4)
5. See the illustration in Basel Committee on Banking Supervision of the Bank for International Settlements, *DIS* *Disclosure requirements DIS 99 Worked examples*, December 2019. [↑](#footnote-ref-5)