KPMG

FINMA Ordinance on the Market Risks of Banks and Securities Firms

(MarO-FINMA)

Dated 6 March 2024

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FINMA Ordinance on the Market Risks of Banks and Securities Firms

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Dated 6 March 2024

The Swiss Financial Market Supervisory Authority (FINMA),based on Articles 81*b*(3), 83(4), 83*a*(4), 85(3), 87(2) and 88(2) of the Capital Adequacy Ordinance dated 1 June 2012[1] (CAO), decrees:

Chapter 1: General provisions

ARTICLE 1 Subject

This Ordinance governs the minimum capital requirements applicable to market risk.

ARTICLE 2 Market value

If a position's market value is used as the basis for calculating the minimum capital requirements to cover market risks, the accrued interest must also be included.

ARTICLE 3 Internal bank directives on structural foreign currency positions (Article 81b(3) CAO)

1 The bank's internal directives on structural foreign currency positions must govern at least the following aspects:

a. the hedging positions for which the exemption from the calculation of mini-mum capital requirements in accordance with Article 81b(2) CAO is permitted;

b. the calculation basis for determining the scope of the positions exempted in accordance with Article81b(2)(b) CAO;

c. the tasks, competencies, responsibilities, processes and internal reporting;

d. the management of these positions, in particular the frequency of adjustments, limits and monitoring;

e. the measures to comply with the requirements set out in Article 81b(2) CAO.

2 The directives and any amendments thereto must be:

a. approved by FINMA before they are issued for banks in categories 1 and 2 as per Annex 3 of the Banking Ordinance of 30 April 30 2014[2] (BO);

b. shared with FINMA by banks in category 3 as per Annex 3 BO;

c. shared with FINMA upon request by banks in categories 4 and 5 as per Annex 3 BO.

ARTICLE 4 Data integrity

1 The bank must have documented, internally reviewed and approved procedures in place to ensure the following:

[1] SR 952.03
[2] SR 952.02

a. All transactions are recorded, evaluated and processed for risk measurement in a complete, correct and timely manner.

b. The data used in the valuation models are complete, appropriate, consistent, continuous and up-to-date.

2 The procedures must ensure compliance with the requirements set out in (1) independently of the trading desk.

3 Manual corrections to data must be documented in such a way that the cause and the exact content of the corrections can be traced.

4 All transactions must be reconciled with the counterparty on a daily basis. The confirmation of transactions and their reconciliation must be carried out by a unit independent of the trading desk. Inconsistencies must be clarified immediately with the counterparty.

Chapter 2: Simplified Standardized Approach for Market Risk

Section 1: Interest rate risk

ARTICLE 5 General and specific interest rate risk (Article 84 CAO)

The interest rate risk includes:

a. the risk of interest rate-induced price changes that can be attributed to changes in the general interest rate structure (general interest rate risk);

b. the risk of interest rate-induced price changes that cannot be attributed to changes in the general interest rate structure (specific interest rate risk).

ARTICLE 6 Calculation of the minimum capital requirements

1 According to the simplified standardized approach for market risk, the follow-ing is required for calculating the minimum capital requirements to cover the interest rate risk:

a. to determine the general interest rate risk per currency, subject to the pro-visions of Articles 16(3) and 18(5) for currencies in which the bank has a low level of business activity;

b. to determine the specific interest rate risk per issuance.

2 For options with equity futures or equity index futures as the underlying, the interest rate risk of the underlying must not be taken into account when calculating the minimum capital requirements.

3 For options on interest rate instruments, the scope of positions to be included is governed by Section 5.

ARTICLE 7 Positions to be recorded (Articles 81a(1) and 84 CAO)

1 All positions in the trading book with interest rate risks must be included in the calculation of the minimum capital requirements to cover interest rate risk.

2 When calculating the minimum capital requirements to cover specific interest rate risk, derivatives based on reference rates are not to be included.

3 For options on interest rate instruments, the scope of positions to be included is governed by Section 5.

ARTICLE 8 Measurement of the positions

Positions must be fair-valued. Foreign currency positions must be converted into Swiss francs at the spot rate.

ARTICLE 9 Netting of positions

1 The following positions may be netted with positions of the same type when calculating the minimum capital requirements for general and specific interest rate risk, provided they offset each other in terms of amount and are denominated in the same currency:

a. positions, including those arising from the representation of futures, for-wards and forward rate agreements in accordance with Article 11, where in particular the issuer, coupon and maturity are identical;

b. The following derivative positions of the same type that relate to the same underlying assets if the derivative positions meet the following conditions:

1. The maturity dates for futures are no more than seven calendar days apart.
2. The maturity dates for forwards are as follows:
   - on the same day if the dates are less than one month in the future
   - no more than seven calendar days apart if the dates are between one month and one year in the future
   - no more than 30 calendar days apart if the dates are more than one year in the future.
3. For swaps and forward rate agreements:
   - variable reference rates are identical and fixed interest rates are no more than 15 basis points apart
   - the next interest rate reset dates for variable-interest items and the next maturity dates for fixed-interest items are in the time periods specified in 2.

2 Positions arising from the breakdown of cross-currency forward foreign exchange transactions may also be included in the netting of the positions specified in (1), provided that:

a. the conditions set out in (1)(b), with the exception of item 3, first indent, are met; and

b. the breakdown is documented.

ARTICLE 10 Netting of credit derivatives positions for the specific interest rate risk

1 The following positions may be netted when calculating the minimum capital requirements for specific interest rate risk:

a. opposite positions in identical credit derivatives;

b. a cash long position or a credit derivative on the one hand with a hedging total return swap on the other, or vice versa, provided that the reference obligation is exactly the same as the underlying exposure; the total return swap may have a different term than the underlying exposure.

2 The following conditions for netting apply:

a. that the values of the two positions to be netted always move in the oppo-site direction and that the market values always change by the same amount;

b. that the credit derivatives meet the requirements set out in Article 65(b), (d) and (e) of the FINMA Ordinance of 6 March 2024 [3] on Credit Risks of Banks and Securities Firms (CreO-FINMA).

ARTICLE 11 Representation of futures, forwards and forward rate agreements

1 Futures, forwards and forward rate agreements must be represented as a com-bination of a long position and a short position.

2 The term of a future, a forward or a forward rate agreement equates to the period between the date on which the minimum capital requirements are calculated and the date of settlement or exercise of the contract, plus the maturity of the underlying exposure where applicable.

3 Where different instruments may be delivered to settle the contract, the bank may choose which deliverable instrument to include when calculating the mini-mum capital requirements. In doing so, the conversion factors set by the ex-change must be taken into account.

4 For futures on an index of corporate bonds, the positions must be reflected at the marked-to-market value of the underlying portfolio.

ARTICLE 12 Representation of swaps

1 Swaps with interest rates as a reference value must be represented as two positions in government bonds with the corresponding maturities.

2 In the case of swaps that do not exclusively reference interest rates, only the interest component is to be taken into account when calculating the minimum capital requirements for interest rate risk; other components are to be treated according to the regulation that applies to them.

ARTICLE 13 Alternative representation of swaps

1 Banks that hold a large number of swaps and whose overall exposure in swaps is material may use alternative methods to represent these swaps, provided that the audit firm has verified the appropriateness of these methods and their implementation and has confirmed to FINMA that they are adequate.

2 In particular, they may use one of the following alternative methods:

a. the individual payments of each swap are discounted to net present values using the corresponding zero-coupon interest rates; these are added up for each swap to a net present value; when applying the maturity method (Article 16), this net present value is treated as a bond with a coupon of less than three percent, depending on the residual maturity of the swap;

b. the individual payments of each swap are discounted to net present values at the corresponding zero-coupon interest rates; these are added up per swap to a net present value; when applying the duration method (Article 18), this net present value is used instead of the market value of the instrument or cash flow, depending on the modified duration of the swap.

ARTICLE 14 Representation of credit derivatives

1 A total return swap must be represented:

a. by the protection provider: as a combination of a long position in the reference obligation and a short position in a government bond;

b. by the protection buyer: as a combination of a short position in the reference obligation and a long position in a government bond.

[3] SR **952.033.21**

2 A credit-linked note must be represented as a bond of its issuer:

a. by the protection provider: as a long position;

b. by the protection buyer: as a short position.

3 A credit default swap must be represented:

a. by the protection provider: as a long position in the reference obligation and a series of short positions in the amount of the periodic premium payments;

b. by the protection buyer: as a short position in the reference obligation and a series of long positions in the amount of the periodic premium payments.

4 An nth-to-default swap must be represented:

a. by the protection seller: as a long position for all obligations contained in the basket and a series of short positions in the amount of the periodic premium payments;

b. by the protection buyer: as short positions for all obligations in the basket and a series of long positions in the amount of the periodic premium payments.

ARTICLE 15 General interest rate risk: Minimum required capital Article 84(2) CAO

1 The minimum capital requirements relating to general interest rate risk must be calculated for each currency separately using a maturity ladder, either according to the maturity method (Article 16) or the duration method (Article 18).

2 In justified cases, it is permissible to switch from the duration method to the maturity method or vice versa.

3 The calculation of the minimum capital requirement for general interest rate risk may be waived for credit default swaps and nth-to-default swaps. If these positions involve periodic premium payments, the minimum capital requirement for general interest rate risk needs to be calculated only for these premium payments.

ARTICLE 16 General interest rate risk: Maturity method Article 84(2) CAO

1 Where the bank calculates the minimum capital requirement for general interest rate risk using the maturity method, the positions in a currency must be assigned to the maturity ranges set out in Annex 1, section 1, in accordance with their residual maturity and coupon. Positions in fixed-interest instruments must be assigned based on their residual term to maturity, and positions in variable-rate instruments based on their residual term to the next repricing date.

2 The minimum capital requirements for the general interest rate risk before scaling in accordance with Article 83a(1)(a) CAO per currency are equal to the sum of the variables to be calculated in the following order:

a. the sum of the net positions of all maturity bands from the netting of the weighted total long position with the weighted total short position within each maturity band, calculated using the formula in Annex 1 section 2.2; the total long position in a maturity band is the sum of all individual long positions in this maturity band, the total short position in a maturity band is the sum of all individual short positions in this maturity band;

b. the add-on for closed positions (Article 17) resulting from the netting of the weighted total long position with the weighted total short position within each maturity band, calculated using the formula in Annex 1 section 2.3;

c. the add-on for closed positions resulting from the netting of maturity-band-specific net long and net short positions in the maturity bands within the respective zones 1-3 according to Annex 1, section 1, calculated using the formula in Annex 1, section 2.4;

d. the add-on for the closed position resulting from the netting of the net position of zone 1 with the net position of zone 2, calculated using the formula in Annex 1 number 2.5;

e. the add-on for the closed position resulting from the netting of the net position of zone 2 remaining after (d) with the net position of zone 3, calculated using the formula in Annex 1 number 2.6;

f. the add-on for the closed position resulting from the calculation of the remaining net position of zone 1 in accordance with (d) with the remaining net position of zone 3 in accordance with (e), calculated using the formula in Annex 1 section 2.7.

3 The three currencies in which the bank has negligible business activity can be summarized in a single maturity ladder. In this case, the absolute amounts of all net long and net short positions of all currencies within a maturity band are to be added to a gross position. No further netting is permitted. The minimum capital requirements are equal to this gross position multiplied by the risk weighting factor according to Annex 1, section 1 for the corresponding maturity band.

ARTICLE 17 General interest rate risk: closed position

The closed position arising from the netting of a long position with a short position is deemed to be the smaller of the absolute amounts of these positions. If no netting is possible, the closed position has a value of zero.

ARTICLE 18 General interest rate risk: Duration method Article 84(2) CAO

1 Use of the duration method is permissible if the bank's staffing, organization and IT systems ensure that the duration method is properly applied. The duration method is to be applied by all branch offices and for all positions exposed to general interest-rate risk.

2 Where a bank calculates the minimum capital requirements for general interest rate risk using the duration method, it must calculate a price sensitivity for each instrument. The price sensitivity is equal to the instrument's market value multiplied by its modified duration and by the interest rate change assumed in accordance with the residual maturity of the instrument as per Annex 2, section 1. Where swaps are represented in the form of individual payments as per Article 13(2)(a), the price sensitivity with respect to the net present value of a swap must be calculated.

3 The price sensitivities must be assigned to the time bands specified in Annex 2 section 1, broken down by currency according to the instrument's modified duration.

4 The minimum capital requirements for the general interest rate risk before scaling in accordance with Article 83a(1)(a) CAO per currency are equal to the sum of the variables calculated in the following order, with the positions corresponding to the price sensitivities calculated in accordance with (2):

a. the sum of the net positions of all time bands from the netting of the total long position with the total short position within each time band, calculated using the formula in Annex 2, section 2.2; the total long position of a time band is the sum of all individual long positions in this time band, the total short position of a time band is the sum of all individual short positions in this time band;

b. the add-on for the closed positions resulting from netting the total long position with the total short position within each time band, calculated using the formula in Annex 2, section 2.3;

c. the add-on for closed positions resulting from the netting of the time-band-specific net long and net short positions of the time bands within the respective zones 1-3 according to Annex 2, section 1, calculated using the formula in Annex 2, section 2.4;

d. the add-on for the closed position resulting from the netting of the net position of zone 1 with the net position of zone 2, calculated using the formula in Annex 2, point 2.5;

e. the add-on for the closed position resulting from the netting of the net position of zone 2 remaining after (d) with the net position of zone 3, calculated using the formula in Annex 2 number 2.6;

f. the add-on for the closed position resulting from the netting of the remaining net position of zone 1 in accordance with (d) with the remaining net position of zone 3 in accordance with (e), calculated using the formula in Annex 1 section 2.7.

5 Currencies in which the bank has negligible business activity can be summarized in a single maturity ladder. In this case, the absolute amounts of all net long and net short positions of all currencies within a time band are to be added to a gross position. No further netting is permitted. The minimum capital requirements correspond to this gross position multiplied by the assumed interest rate change in accordance with Annex 2, section 1 for the corresponding maturity band.

ARTICLE 19 Specific interest rate risk: Minimum required capital Article 84(1) CAO

1 The minimum capital requirements before scaling in accordance with Article 83a(1)(a) CAO for the specific interest rate risk of the positions with interest rate risks are equal to the absolute amount of the net position according to Article 51 or 52 CAO per issuance multiplied by the rate corresponding to the position with interest rate risks according to Annex 5 CAO.

2 For securitization positions, the minimum capital requirements before scaling in accordance with Article 83a(1)(a) CAO for the specific interest rate risk for each net securitization position are calculated in accordance with the rules governing the banking book set out in Articles 56–59 CreO-FINMA [4].

3 A bank may limit the minimum capital for the specific interest risk of a credit derivative or a securitization position to the maximum possible loss that the credit derivative or the securitization position can result in.

ARTICLE 20 Specific interest rate risk: Reduction of minimum capital for credit derivatives

1 The minimum capital requirements before scaling in accordance with Article 83a(1)(a) CAO for the specific interest rate risk of a long spot position or a credit derivative, on the one hand, hedged by a credit default swap or a credit-linked note, or vice versa, on the other hand, may be reduced in accordance with the rules in (2) and subject to the conditions in (3).

2 The reduced minimum capital requirements are calculated as follows:

a. The minimum capital requirements for the two opposite positions are calculated individually.

b. The higher of the two minimum capital requirements calculated in accordance with letter a is reduced by 80 percent.

c. The lower of the two minimum capital requirements calculated in accordance with letter a is reduced to zero.

3 The reduction is permissible under the following conditions:

a. the market values of the two corresponding long and short positions always move in opposite directions and the delta equivalents match in terms of amount.

b. the reference obligation matches the underlying obligation exactly.

c. the reference obligation and the credit derivative have the same residual maturity.

d. The reference obligation and the credit derivative's payout amount are in the same currency.

e. The contractual components of the credit derivative do not cause the price movement of the derivative to deviate significantly from the spot's price movement.

[4] SR **952.033.21**

f. The requirements set out in Article 65 (b), (d) and (e) of the CreO-FINMA [5] are met.

4 The minimum capital requirements for the specific interest rate risk may also be reduced in the following cases under the rules set out in (5), provided the requirements set out in Article 65(b), (d) and (e) CreO-FINMA and, in the case of maturity mismatches, additionally those set out in Article 64 CreO-FINMA are met:

a. for positions according to Article 10(1)(b) where the reference claim and the underlying claim do not match, where the conditions set out in Articles 71(2)(a) and (b), 72(1) and (3), 74 and 75 CreO-FINMA are met;

b. for positions according to (1)-(3) and Article 10(1) (a) that are not denominated in the same currency or do not have the same residual maturity;

c. for positions according to (1)-(3) where the reference obligation and the underlying obligation do not match, but the credit derivative's contractual components list the underlying obligation as a transferable obligation.

5 Under the conditions set out in (4), the reduced minimum capital requirements are equal to the higher minimum capital requirement of the two opposing positions.

ARTICLE 21 Specific interest rate risk: nth-to-default credit derivatives

The calculation of minimum capital requirements for specific interest rate risks of nth-to-default credit derivatives and for positions hedged by nth-to-default credit derivatives is based on section 40.21 of the Basel minimum standard for the calculation of risk-weighted positions for market risks (MAR) in the version in Annex 1 CAO.

Section 2: Equity price risk

ARTICLE 22 General and specific equity price risk (Article 85 CAO)

The share price risk comprises:

a. the equity price risk that can be attributed to general market fluctuations in prices and volatilities on equity markets (general equity price risk);

b. the share price risk that is attributable to the issuer of the share and cannot be explained by general market fluctuations in prices and volatilities (specific share price risk).

ARTICLE 23 Positions to be recorded (Articles 81a(1) and 85 CAO)

1 According to the simplified standardized approach for market risk, all positions in the trading book with equity price risks must be recorded for the purpose of calculating the minimum capital requirements for equity price risk.

2 Units in managed collective assets must be recognized as equities. As an alternative, they may be split into their components; the individual components must then be recognized in accordance with the provisions of this chapter for the corresponding risk categories.

3 In the case of options on equity instruments, the recognition of the positions and the calculation of the minimum capital requirements for market risks are governed by Section 5.

[5] SR **952.033.21**

ARTICLE 24 Valuation and representation of positions

1 The positions are to be valued at market value. Foreign currency positions must be converted into Swiss francs at the spot rate.

2 Futures and forwards must be shown as a combination of a long position in a share, a basket of shares or a share index on the one hand and a short position in a government bond on the other, or vice versa. Equity positions must be measured at current market value, while equity basket and equity index positions must be shown as the current value of the underlying equity portfolio measured at market value.

3 Equity swaps must be shown as a combination of a long and a short position. This can either be a combination of two equity, equity basket or equity index positions or a combination of an equity, equity basket or equity index position and an interest rate position.

ARTICLE 25 Netting of positions

1 Positions that offset each other in terms of amount in the same share or share index of a national market, including those arising from the representation of futures, forwards and swaps in accordance with Article 24(2) and (3), may be netted.

2 Government bonds from the representation of futures and forwards in accordance with Article 24(2) may not be netted. They must be treated in accordance with Section 1.

ARTICLE 26 Minimum capital requirements for general equity price risk (Article 85(2) CAO)

1 The minimum capital requirements before scaling in accordance with Article 83a(1)(a) CAO for general equity price risk are 8% of the sum of the absolute amount of the net positions set out in Articles 51 and 52 CAO per national market.

2 The national market is the equity market on which the issuer's equity instruments are listed. Where equity instruments are listed on several equity markets, the issuer's domestic market is deemed to be the national equity market. An equity instrument that is represented in various national indices may be allocated pro rata to several national equity markets depending on the bank’s internal management.

ARTICLE 27 Minimum capital requirements for specific equity price risk (Article 85 (1) and (3) CAO)

1 The minimum capital requirement before scaling in accordance with Article 83a(1)(a) CAO for the specific equity price risk of positions with equity price risk is 8% of the sum of the following amounts:

a. absolute amount of the net position as per Article 51 or 52 CAO per issuance;

b. absolute amount of the net position as per Article 51 CAO per equity index.

2 By way of derogation from (1), a rate of 2 percent may be used for an equity index, provided the index is sufficiently broadly diversified and there is at least one tradable future on it.

3 Where the Bank pursues an arbitrage strategy with equity index futures, the minimum capital requirements need only be calculated for one side of the arbitrage position and the rate set out in (2) may be applied to this side if the futures on the opposite side

a. reference the same index, irrespective of their maturities or trading centers; or

b. have identical maturities and are denominated in similar indices.

4 Where the Bank pursues an arbitrage strategy with futures on broadly diversified indices on one side and a basket of equities on the other, the rate set out in (2) may also be applied to the basket

of equities and the calculation of the mini-mum capital requirements for the general equity price risk of the offsetting positions may be waived if:

a. the arbitrage position was entered into intentionally and is monitored separately; and

b. the composition of the equity basket covers at least 90 percent of the index divided into its notional components.

Section 3: Currency and gold price risk

ARTICLE 28 Positions to be recorded (Article 81a and 86 CAO)

1 According to the simplified standardized approach for market risk, all positions in the trading and banking books with currency and gold price risks must be recorded for the purpose of calculating the minimum capital requirements for currency and gold price risk. Article 81b CAO remains applicable.

2 Baskets of currencies may be treated as a separate currency or split into their constituent currencies. The chosen method of treatment must be applied consistently and continuously.

3 For options on instruments in foreign currencies and gold, the recording of the positions and the calculation of the minimum capital requirements for market risks are governed by Section 5.

ARTICLE 29 Net position per foreign currency (Article 86(1) CAO)

1 The net position per foreign currency must be calculated by analogy with Article 51 CAO as the sum of the following positions:

a. all assets less all liabilities, including accrued interest, in the foreign currency;

b. all outstanding net present values less all net present values to be paid under all forward transactions in the foreign currency;

c. the net amount of known future income and expenses that are already fully hedged in the foreign currency;

d. all guarantees and similar instruments in the foreign currency that are certain to be called and highly likely to be irrevocable;

e. the sum of the delta equivalents of all options in the foreign currency;

f. all other positions that represent a profit or loss in the foreign currency.

2 When calculating the net amount in accordance with (1)(c), unhedged future income and expenses may be taken into account, provided that this is done consistently and continuously.

3 In the case of options whose underlying and strike price are denominated in the same foreign currency, the option price may be taken into account instead of the delta equivalent in accordance with (1)(e).

4 The net position in each foreign currency must be converted into Swiss francs at the spot rate.

ARTICLE 30 Net position in gold (Article 86(2) CAO)

1 Cash and forward positions in gold must be converted into a standard unit of measurement, typically ounces or kilograms, and valued at the respective spot price in Swiss francs.

2 Article 29 applies by analogy to the calculation of the net position in gold.

3 The net position in gold may additionally be treated as a foreign currency position, provided this is done consistently and continuously.

4 Futures and forwards must be represented as a combination of a long position in gold on the one hand and a short position in a government bond on the other, or vice versa. Government bonds resulting from this representation are to be treated in accordance with Section 1.

Section 4: Commodity risk

ARTICLE 31 Positions to be recorded (Article 81a and 86a CAO)

1 Under the simplified standard approach to market risk, all trading book and banking book positions with commodity risk must be recorded in order to deter-mine the minimum capital requirements for commodity risk. These positions also include positions in precious metals, except gold, as well as positions in non-physical goods such as electricity and CO2 certificates.

2 Positions that serve only for inventory financing do not have to be recorded.

3 For commodity options, the recording of positions and the calculation of the minimum capital requirements for market risks are based on Section 5.

ARTICLE 32 Measurement of the positions

All long and short positions in each commodity must be converted into a standard unit of measurement, such as barrels or kilograms, and valued at the respective spot price in Swiss francs.

ARTICLE 33 Representation of commodity derivatives

1 Commodity futures and forwards must be represented as a combination of a long position in a commodity on the one hand and a short position in a government bond on the other, or vice versa. Government bonds resulting from this representation cannot be netted. They must be treated in accordance with section 1.

2 Commodity swaps with a fixed price on the one hand and the respective market price on the other hand must be represented as a series of positions that correspond to the notional amount of the contract. In doing so, any payment in connection with the swap must be viewed as a position.

3 In the case of commodity swaps, positions where the bank pays a fixed price and receives a floating price must be represented as long positions. Positions where the bank receives a fixed price and pays a floating price must be represented as short positions.

ARTICLE 34 Commodity categories

Positions must be categorized by commodity. The following positions can be grouped in the same commodity category:

a. positions in the same commodity;

b. positions in commodities that are interchangeable upon delivery; and

c. positions in commodities that are close substitutes and for which a mini-mum correlation of 0.9 can be clearly established over a period of at least one year.

ARTICLE 35 Maturity band method

1 Under the maturity band method, the following positions in the same commodity category may be netted:

a. Positions with the same maturity;

b. Positions in markets with daily delivery dates whose maturity dates are no more than ten days apart.

2 The remaining positions must be allocated separately by commodity category according to their maturity to the maturity bands in Annex 3, section 1. Physical holdings must be allocated to the first maturity band.

3 The minimum capital requirement before scaling in accordance with Article 83a(1)(a) CAO for each commodity category corresponds to the sum of the following amounts:

a. Add-on for closed positions (Article 17) from the netting of the total long position against the total short position within each maturity band, calculated in accordance with Annex 3, Section 2.2; the total long position of a maturity band is the sum of all individual long positions in that maturity band, and the total short position of a maturity band is the sum of all individual short positions in that maturity band;

b. Result of the following calculation: for each maturity band, the net position is calculated, starting with the shortest maturity band; the net position of the shorter maturity band is carried forward to the next longer-term maturity band; for each maturity band whose net position is carried forward, an add-on is calculated as specified in Annex 3, Section 2.3;

c. Add-on for closed positions from the netting of a net position carried for-ward in accordance with (b) of a shorter-term maturity band with the position of the next longer-term maturity band remaining after netting the total long position with the total short position within the longer-term maturity band in accordance with (a), calculated as specified in Annex 3, section 2.4;

d. Proportion of the absolute amount of the net position remaining after applying (a) to (c), calculated as specified in Annex 3, section 2.5.

4 The netting of positions in commodities of different categories based on correlations is subject to approval by FINMA. Approval will be granted if the requirements set out in section 40.67 MAR, within the version specified in Annex 1 CAO, are met.

ARTICLE 36 Simplified approach

1 In the simplified approach, the minimum capital requirement before scaling in accordance with Article 83a(1)(a) CAO per commodity category corresponds to the sum of:

a. 15 percent of the absolute amount of the net position; and

b. 3 percent of the sum of the absolute amounts of the long and short positions.

2 Article 35(1)(a) applies by analogy.

Section 5: Market risks of options

ARTICLE 37 Positions to be recorded (Article 83a(2) CAO)

1 Under the simplified standardized approach for market risk, the minimum capital requirement for market risks arising from options must be calculated by including all positions with option characteristics.

2 Where the option characteristics are only minor, the financial instrument may be recognized in accordance with its main characteristics rather than as an option.

ARTICLE 38 Swaptions

Swaptions are to be represented by replicating the swap underlying the option and weighted with the delta of the option for the calculation of general interest rate risk. For calculating gamma and vega risks, the longer of the two maturities of the underlying assets is to be used.

ARTICLE 39 Permissible methods

1 The minimum capital requirement before scaling in accordance with Article 83a (2) CAO for market risk exposure arising from options must be calculated using one of the following methods:

a. the delta-plus approach;

b. the scenario analysis approach;

c. the simplified approach.

2 The simplified approach may only be used if exclusively purchased options are used.

ARTICLE 40 Delta-Plus Approach

1 Pursuant to the delta-plus approach, the minimum capital requirement before scaling in accordance with Article 83a(2) CAO for covering the market risks of options corresponds to the minimum capital requirement for covering the delta, gamma, and vega risks of the options.

2 The minimum capital requirement for market risks of the underlying assets is calculated in accordance with sections 1–4.

ARTICLE 41 Delta risks

1 The minimum capital requirement for delta risks must be calculated for all options. They are calculated by determining the delta equivalent of an option and treating it in accordance with the rules for minimum capital requirements for the underlying asset in sections 1–4.

2 The delta equivalent of an option corresponds to the delta of the option multiplied by the market value of its underlying asset.

ARTICLE 42 Gamma risks of options in general

The minimum capital requirement for gamma risks must be calculated as follows for all options:

a. Options are divided into the following categories:

1. one category for interest rate instruments of the same currency and the same time band in accordance with Annex 1 for banks using the maturity method or in accordance with Annex 2 for banks using the duration method

2. one category for equities and equity indices of the same national market

3. one category for each currency pair

4. one category for gold

5. one category for each commodity that can be grouped in the same commodity category in accordance with Article 34.

b. Within each category, the individual positions' gamma effects must be calculated; the gamma effect must be calculated using the formula in Annex 4.

c. The gamma effects of all positions within a category must be added together; the sum is the category's net gamma effect.

d. The absolute amounts of the negative net gamma effects of the categories must be added together.

ARTICLE 43 Gamma risks of options in with specific market risk

1 Banks with significant positions in options on certain equity instruments or interest rate instruments must add the minimum capital requirements for gamma risks of options with specific market risks

to the minimum capital requirements pursuant to Article 42 when calculating the minimum capital requirements for market risks of options.

2 This minimum capital requirement must be calculated as follows:

a. The options are classified into the categories set out in Article 42(a)(1) and (2).

b. Within each category, the individual positions' gamma effects must be calculated; the gamma effect must be calculated using the formula set out in Annex 4.

c. The gamma effects of all positions within a category must be added together; the sum is the category's net gamma effect.

d. The absolute amounts of the negative net gamma effects of the categories must be added together.

ARTICLE 44 Vega risks

1 The minimum capital requirement for vega risks must be calculated as follows for all options:

a. The options are classified into the categories set out in Article 42(a).

b. Within each category, the individual positions' vega effects must be calculated; the vega effect must be calculated using the formula in Annex 5.

c. The vega effects of all positions within a category must be added together; the sum is the category's net vega effect.

d. The absolute amounts of the net vega effects of each category must be added together.

2 Where the implied volatility of illiquid options cannot be determined using standard methods for calculating the vega effect, other methods suitable for determining the volatility structure may be used.

Article 45 Scenario analysis

1 Under the scenario analysis approach, the minimum capital requirement before scaling in accordance with Article 83a(2) CAO for the market risk of options per risk category must be equal to the sum of the maximum potential losses calculated in accordance with (2).

2 The maximum potential loss must be calculated for each category of options in accordance with Article 42(a) and the corresponding hedging positions (Article 46). The loss is calculated based on the combinations of changes in the value (Article 47) and volatility (Article 48) of the underlying asset in a separate scenario analysis matrix.

3 In the case of interest rate options, it is possible to combine time bands into groups rather than performing a separate scenario analysis for each time band as specified in Annex 1 or 2. There must be at least six different groups, and no more than three time bands may be combined in each group.

4 Cross-currency dependencies (cross-currency relationships) may be taken into account.

5 For options with interest rate or equity price risks, the minimum capital requirement for specific market risks must be added to the minimum capital requirements set out in (1)–(4). These must be calculated in accordance with Articles 19 and 27 for delta-weighted positions and in accordance with Article 43 for gamma risks.

Article 46 Corresponding hedging position

1 A hedging position is considered to be a corresponding hedging position for an option in the scenario analysis if:

a. the hedging position belongs to the same category as the underlying asset in accordance with Article 42(a); and

b. the delta equivalent (Article 41(2)) of the hedging position does not exceed that of the option.

2 Where the condition set out in (1)(b) is not met, linear positions in equity instruments, currencies, gold and commodities may be integrated into the relevant scenario analysis matrices provided that this does not result in lower minimum capital requirements than if these positions were treated separately.

3 Where the minimum capital requirements for hedging positions are calculated as part of the scenario analysis, the minimum capital requirements for these positions do not need to be calculated in accordance with sections 1–4, with the exception of the minimum capital requirement for the specific equity price and interest rate risk.

Article 47 Changes in value

1 To determine the minimum capital requirement for general market risks arising from each category of options referred to in Article 42(a) and the related hedging positions, at least seven different changes in value must be considered. These must cover the entire relevant range for each of the following types of options and include a change of zero percent:

a. Interest rate options: ±change in interest rates in accordance with Annex 2, item 1;

b. Options on equities or equity indices: ± 8%;

c. Options on currencies or gold: ± 8 percent;

d. Options on commodities: ± 15 percent.

2 The intervals between the changes in value must be equal.

3 Where several time bands are combined into a group for interest rate options, the highest interest rate change of the combined time bands applies to the group.

Article 48 Changes in volatility

1 The maximum potential loss must be calculated at least for:

a. an unchanged implied volatility;

b. an implied volatility increased by 25 percent; and

c. an implied volatility reduced by 25 percent

2 Where the implied volatility of illiquid options cannot be determined using standard methods, other methods suitable for determining the volatility structure may be used.

Article 49 Simplified approach

1 Under the simplified approach, the minimum capital requirement before scaling in accordance with Article 83a(2) CAO for covering the market risks of options is as follows:

a. for a long position in a call or put, the lower of the following two amounts:

1. Market value of the option,
2. Market value of the contract volume of the underlying asset multi-plied by the rate applicable to the underlying asset as per (3) for market risks or, in the case of options on equity and interest rate instruments, multiplied by the sum of the applicable rates as per (3) for general and specific market risks;

b. for a long spot position and a purchased put option on the spot position or for a short spot position and a purchased call option on the spot position, the amount calculated as follows, but at least zero:

1. Market value of the contract volume of the underlying asset multi-plied by the rate applicable to the underlying asset as per (3) for market risks or, in the case of options on

equity and interest rate instruments, multiplied by the sum of the applicable rates as per (3) for general and specific market risks;

2. minus the intrinsic value of the option in relation to the contract volume.

2 No minimum capital requirements pursuant to sections 1–4 need to be calculated for hedged cash positions as per (1)(b).

3 The following rates apply to the calculation of minimum capital requirements:

a. for currency and gold instruments: 8 percent;

b. for commodity instruments: 15 percent;

c. for interest rate instruments:

1. to cover the general interest rate risk: the risk weighting factor in accordance with Annex 1, item 1, depending on the residual maturity of the interest rate instrument,
2. to cover the specific interest rate risk: the rate in accordance with Annex 5 CAO;

d. for equity instruments:

1. to cover general equity price risk: 8 percent;
2. to cover specific equity price risk: 8 percent or 2 percent for equity indices in accordance with Article 27(2).

Section 6: De minimis approach for interest rate and equity price risk

Article 50 Thresholds for the trading book (Article 83 (3) and (4) CAO)

The thresholds that the size of a bank's trading book may not exceed if the bank wishes to apply the de minimis approach are as follows:

a. 30 million Swiss francs; and

b. 6 percent of the sum of the following values:

1. Total assets as reported in the most recent quarterly financial statements,
2. absolute amounts of contingent liabilities,
3. absolute amounts of commitment lines,
4. absolute amounts of irrevocable commitments,
5. absolute amounts of payment and additional payment obligations,
6. absolute amounts of the contract volume of all open derivatives.

Article 51 Size of the trading book

The relevant size of the trading book corresponds to the sum of the following values:

a. absolute market values of all cash positions in the trading book;

b. absolute delta equivalents of all option positions in the trading book;

c. absolute market values of all forward positions in the trading book, whereby the higher of the agreed forward price and the current market price shall be used.

Article 52 Netting of positions

1 When determining the size of the trading book, the following items in the trading book may be netted against items of the same type, provided that they are of equal value and denominated in the same currency:

a. Positions in futures relating to the same underlying assets with maturity dates that are no more than seven calendar days apart;

b. Positions in interest rate instruments, including such positions arising from the recognition of futures and forwards in accordance with Article 11, where the issuer, coupon and maturity are identical;

c. Swaps and forward rate agreements on interest rate instruments with identical variable reference rates and fixed interest rates that do not differ by more than 15 basis points;

d. swaps, forward rate agreements and forwards on interest rate instruments, if the next interest rate reset or maturity dates are no more than ten calendar days apart;

e. positions in linear derivatives that have identical equities or equity indices as underlying assets; for futures, the restriction under (a) also applies;

f. Positions in linear derivatives with equities or equity indices as underlying assets, with identical equities or equity indices, including such positions from the mapping of futures and forwards in accordance with Article 24(2).

2 Positions from the breakdown of cross-currency forward exchange transactions may also be included in the netting of positions in accordance with (1), provided that:

a. the conditions set out in (1) are fulfilled; and

b. the breakdown is documented.\

Chapter 3: Standardized Approach for Market Risk

Section 1: Applicability of the Basel Minimum Standards

Article 53

1 For the application of the market risk standardized approach, the requirements set out in sections 10 and 20–23 MAR, as amended by Annex 1 CAO, apply.

2 It is not allowed to apply reduced risk weights for default risk vis-à-vis central governments, central banks, public sector entities and multilateral development banks in accordance with section 22.7 MAR.

Section 2: Shares in managed collective assets in the trading book

Article 54 Look-through approach

When applying the look-through approach in accordance with section 21.35 MAR, as specified in Annex 1 CAO, the following additional rules apply to the calculation of the minimum capital requirement for shares in managed collective assets (MCA) in the trading book:

a. In addition to the minimum capital requirement for market risks, the minimum capital requirement for counterparty credit risk and for the risk of market value losses due to credit valuation adjustments (credit valuation adjustment, CVA) for derivatives and securities financing

transactions due to the risk of counterparty default (CVA risk) must also be calculated for the positions underlying the MCA.

b. The simplifications in Section 21.36 (2) (b) MAR apply by analogy.

c. Where derivatives may only be used for hedging purposes in MCAs and these derivatives demonstrably do not increase market risks, they may be excluded from the calculation of the minimum capital requirement for market risks, counterparty credit risk and CVA risk, whereby their hedging effect may not be taken into account in the calculation of the mini-mum capital requirement for market risks.

Article 55 Alternative Calculation Approaches

1 The minimum capital requirement for market risks of MCA units may be determined using the calculation methods set out in section 21.36 MAR, as specified in Annex 1 CAO, or in accordance with (2), rather than using the look-through approach.

2 When calculating in accordance with Section 21.36 (3) MAR, the bank may, as part of the calculation using the sensitivity-based method (Section 21.77 MAR), apply one of the following risk weights instead of the risk weight of 70 percent for category “Group 11 – other sectors” (bucket 11 – other sectors):

a. a risk weight of 50 percent;

b. a risk weight calculated by a third party.

3 The calculation in accordance with (2)(a) is only permitted for MCA units in accordance with Article 5(3)(c)1) CAO. The above requires that the bank has the information about the positions underlying the MCA that it would need to calculate the minimum capital requirement if it held each individual position of the MCA itself.

4 The procedure set out in (2)(b) is only permissible under the following conditions:

a. The third party calculates the risk weight of the MCA using the look-through approach in accordance with Section 21.35 MAR only for the portfolio of positions underlying the MCA, without taking into account other positions of the bank.

b. The third party must have full knowledge of the positions underlying the MCA and must calculate the risk weight at least quarterly based on updated information on the underlying positions.

c. The risk weight calculated by the third party is reviewed at least once a year by an entity that is independent of both the third party and the bank.

d. The bank regularly reviews the risk weight's appropriateness.

5 FINMA may restrict the group of third parties referred to in (2)(b) if foreign jurisdictions allow such restrictions.

Article 56 Combination and change of approaches

Alongside the calculation approaches as outlined in sections 21.35 and 21.36 MAR as specified in Annex 1 CAO, only one of the two calculation approaches for risk weights pursuant to Article 55(2) may be used in the entire trading book. Any change in the calculation approach applied as per Article 55(2)(a) or (b) requires FINMA's approval.

Article 57 Minimum capital requirement for default risk

Where, when performing the calculation in accordance with Article 55(2), the bank uses a risk weight calculated by a third party in accordance with Article 55(2)(b), in the context of its calculation of minimal capital requirements for default risk based on MAR 22.8 as specified in Annex 1 CAO, the bank may with FINMA's approval use a risk weight calculated by the third party in the absence of credit quality information (credit quality category – unrated), instead of the risk weight of 15 percent in

accordance with section 22.24 MAR as specified in Annex 1 CAO. The conditions set out in Article 55(4) and (5) apply by analogy.

Chapter 4: Model-based Approach for Market Risk

Article 58 Applicability of the Basel Minimum Standards

Subject to the following provisions, the requirements set out in sections 10–12, 30–33, 90 and 99 MAR and section 33 of the Basel minimum standards for the supervisory review process (SRP) in the version specified in Annex 1 CAO apply to the usage of the market risk model-based approach.

Article 59 Shares in managed collective assets in the trading book

1 When calculating the minimum capital requirement for market risks of MCA shares in accordance with Section 31.11 (1) MAR, as amended by Annex 1 CAO, the bank may model the positions in MCA shares without modeling each individual position underlying the MCA.

2 At least once a year, the bank is required to prove that the minimum capital requirement calculated in accordance with (1) is at all times at least equal to the minimum capital requirement calculated based on a modeling of each individual position underlying the MCA.

Article 60 Licensing requirements

1 Use of the market risk model approach is subject to the following conditions:

a. The bank's trading department, back office and risk control function have adequate IT infrastructure.

b. The market risk model approach and the corresponding risk management systems:

1. are based on a sound concept,
2. are correctly implemented, and
3. take into account the banks' business activities, in particular the composition of the trading book and the corresponding trading strategies and mandates in accordance with Section 12 MAR as amended by Annex 1 CAO.

c. The market risk model approach meets all the requirements set out in Sections 10–12, 30–33, 90 and 99 MAR and section 33 SRP, as amended in accordance with Annex 1 CAO.

2 The requirements must be met at all times.

ARTICLE 61 Use of third-party audit results in the licensing procedure

During the licensing procedure, FINMA may rely on audit results from:

a. the applicant bank's regulatory auditor;

b. another regulatory auditor;

c. from foreign regulatory authorities; or

d. from other third parties, provided they are independent and possess suitable expertise.

ARTICLE 62 Licensing

1 FINMA will grant a license if the requirements are met.

2 The license may be subject to conditions.

ARTICLE 63 Notification Obligations

1 The bank must notify FINMA and the regulatory auditor of the following:

a. material changes to the market risk model approach;

b. changes to the risk policy and the trading desks' structure and mandates in accordance with section 12 MAR, as amended by Annex 1 CAO;

c. the number of exceptions to backtesting at bank level in accordance with section 32 MAR.

2 The bank must submit a report to FINMA at least once a quarter on:

a. the results of backtesting and P&L attribution tests at trading desk level in accordance with Section 32 MAR; and

b. the adjustment of the stress period in accordance with Section 33.44 MAR.

ARTICLE 64 Annual review of the risk monitoring system

The internal audit department or an audit firm approved for auditing in accordance with Article 11a(1)(a) of the Audit Oversight Ordinance of 22 August 2007 must review the adequacy of the risk monitoring system, in particular the trading and control systems, on an annual basis. The review must be based on the requirements set out in Section 30.16 MAR, as amended by Annex 1 CAO, and may be coordinated with the regulatory audit.

Chapter 5: Entry into force

ARTICLE 65

1 This Ordinance will enter into force on 1 January 2025.

2 The requirements under section 90.1, third sentence, MAR, as amended by Annex 1 CAO, are to apply from 1 January 2026.

6 March 2024

Swiss Financial Market Supervisory Authority

The Chairwoman: Marlene Amstad

Annex 1 (Articles 16, 42(a)(1), 45(3) and 49(3)(c))

Interest rate risk: Maturity method

1 Maturity bands, zones, risk weighting factors and assumed interest rate changes

Maturity band			Risk weighting factor, in percent	Assumed interest rate change, in percentage points
	for coupon ⩾ 3 percent	for coupon < 3 percent		
Zone 1	⩽ 1 month	⩽ 1 month	0.0	1.00
	> 1 months ⩽ 3 months	> 1 months ⩽ 3 months	0.20	1.00
	> 3 months ⩽ 6 months	> 3 months ⩽ 6 months	0.40	1.00
	> 6 months ⩽ 12 months	> 6 months ⩽ 12 months	0.70	1.00
Zone 2	> 1 year ⩽ 2 years	> 1 year ⩽ 1.9 years	1.25	0.90
	> 2 years ⩽ 3 years	> 1.9 years ⩽ 2.8 years	1.75	0.80
	> 3 years ⩽ 4 years	> 2.8 years ⩽ 3.6 years	2.25	0.75
Zone 3	> 4 years ⩽ 5 years	> 3.6 years ⩽ 4.3 years	2.75	0.75
	> 5 years ⩽ 7 years	> 4.3 year ⩽ 5.7 years	3.25	0.70
	> 7 years ⩽ 10 years	> 5.7 year ⩽ 7.3 years	3.75	0.65
	> 10 years ⩽ 15 years	> 7.3 year ⩽ 9.3 years	4.50	0.60
	> 15 years ⩽ 20 years	> 9.3 year ⩽ 10.6 years	5.25	0.60
	> 20 years	> 10,6 year ⩽ 12 years	6.00	0.60
		> 12 years ⩽ 20 years	8.00	0.60
		> 20 years	12.50	0.60

2 Calculation of minimum capital requirements

2.1 Overview of calculation parameter

i	Index for positions
T	Index for the maturity band as per the table in section 1
k	Index for the zones as per the table in section 1, with $k \in \{1, 2, 3\}$
$L_{T,i}$	Individual long position $i$in maturity band T, with $L_{T,i} \geq 0$
L_T	Total long position of maturity band T, with $L_T = \sum_i L_{T,i}$; if no individual long position exists in maturity band T, then $L_T = 0$
$S_{T,i}$	Individual short position $i$in maturity band T, with $S_{T,i} \leq 0$
S_T	Total short position of maturity band T, with $S_T = \sum_i S_{T,i}$; if no individual short position exists in maturity band T, then $S_T = 0$
w_T	Risk-weighting factor for positions in maturity band T, as per the table under point 1
z_k	Relative add-on for netting of net positions of maturity bands within zone k
$\bar{L}_{Zone\ k}$	Total net long positions of maturity bands within zone k: $\bar{L}_{Zone\ k} = \sum_{T \in Zone\ k} w_T \cdot \max(L_T, -\mid S_T \mid 0)$
$\bar{S}_{Zone\ k}$	Total net short positions of maturity bands within zone k: $\bar{S}_{Zone\ k} = \sum_{T \in Zone\ k} w_T \cdot \min(L_T, -\mid S_T \mid 0)$
N_k	Net position of zone k: $N_k = \bar{L}_{Zone\ k} + \bar{S}_{Zone\ k}$
$\bar{N}_1$	Net position of zone 1 remaining after netting the respective net positions of zones 1 and 2: $\bar{N}_1 = \max[\max,(N_1, 0) + \min(N_2, 0)0] + \min[\min,(N_1, 0) + \max(N_2, 0)0]$
$\bar{N}_2$	Net position of zone 2 remaining after netting the respective net positions of zones 1 and 2: $\bar{N}_2 = \max[\max,(N_2, 0) + \min(N_1, 0)0] + \min[\min,(N_2, 0) + \max(N_1, 0)0]$
$\bar{N}_3$	Net position of zone 3 remaining after netting the respective net positions of zones 1 and 2, as well as zones 2 and 3: $\bar{N}_3 = \max[\max,(\bar{N}_3, 0) + \min(N_2, 0)0] + \min[\min,(\bar{N}_3, 0) + \max(\bar{N}_2, 0)0]$

2.2 Total net positions of all maturity bands

The total net positions of all maturity bands are calculated using the following formula:

$$\sum_T w_T(L_T - |S_T|)$$

2.3 Add-on for netting within maturity bands

The add-on for netting the weighted total long position with the weighted total short position within each maturity band is 10 percent of the sum of the closed positions from this netting and is calculated using the following formula:

$$0{,}1 \cdot \sum_T w_T \cdot \min(L_T, |S_T|)$$

2.4 Add-on for netting within zones

The add-on for netting the sum of the net long positions with the sum of the net short positions of the maturity bands within zone k is calculated as a percentage of the positions closed by this netting using the following formula:

$$z_k \cdot \min(\bar{L}_{\text{Zone } k}, \bar{S}_{\text{Zone } k}) \textbf{ with } z_1 = 0.4 \textbf{ and } z_2 = z_3 = 0.3$$

2.5 Add-on for netting between zones 1 and 2

The add-on for netting the net position of zone 1 with the net position of zone 2 is 40 percent of the closed position resulting from this netting and is calculated using the following formula:

$$0{,}4 \cdot \min[\max(N_1, 0) + \max(N_2, 0)\,, -\min(N_1, 0) - \min(N_2, 0)]$$

2.6 Add-on for netting between zones 2 and 3

The add-on for netting the net position remaining in zones 2 in accordance with Article 16(2)(d) with the net position in zone 3 is 40 percent of the closed position resulting from this netting and is calculated using the following formula:

$$0{,}4 \cdot \min[\max(\bar{N}_2, 0) + \max(N_3, 0)\,, -\min(\bar{N}_2, 0) - \min(N_3, 0)]$$

2.7 Add-on for netting between zones 1 and 3

The add-on for netting the net position remaining in zone 1 in accordance with Article 16(2)(d) with the net position remaining in zone 3 in accordance with Article 16(2)(e) is to be 100 percent of the closed position resulting from this netting and is to be calculated using the following formula:

$$\min[\max(\bar{N}_1, 0) + \max(\bar{N}_3, 0)\,, -\min(\bar{N}_1, 0) - \min(\bar{N}_3, 0)]$$

Annex 2 (Articles 18(2)–(5), 42(a), 45(3) and 47(1)(a)

Interest rate risk: Duration method

1 Time bands, zones and assumed interest rate changes

	Time band	Assumed interest rate change, in percentage points
Zone 1	⩽ 1 month	1.00
	> 1 months ⩽ 3 months	1.00
	> 3 months ⩽ 6 months	1.00
	> 6 months ⩽ 12 months	1.00
Zone 2	> 1 year ⩽ 1.9 years	0.90
	> 1.9 years ⩽ 2.8 years	0.80
	> 2.8 years ⩽ 3.6 years	0.75
Zone 3	> 3.6 years ⩽ 4.3 years	0.75
	> 4.3 year ⩽ 5.7 years	0.70
	> 5.7 year ⩽ 7.3 years	0.65
	> 7.3 year ⩽ 9.3 years	0.60
	> 9.3 year ⩽ 10.6 years	0.60
	> 10,6 year ⩽ 12 years	0.60
	> 12 years ⩽ 20 years	0.60
	> 20 years	0.60

2 Calculation of minimum capital requirements

2.1 Overview of calculation parameters

i	Index for positions
T	Index for the time band as per the table in section 1
k	Index for the zones as per the table in section 1, with $k \in \{1, 2, 3\}$
$L_{T,i}$	Individual long position $i$in time band T, with $L_{T,i} \geq 0$

L_T	Total long position of time band T, with $L_T = \sum_i L_{T,i}$; if no individual long position exists in time band T, then $L_T = 0$
$S_{T,i}$	Individual short position $i$in time band T, with $S_{T,i} \leq 0$
S_T	Total short position of time band T, with $S_T = \sum_i S_{T,i}$; if no individual short position exists in time band T, then $S_T = 0$
z_k	Relative add-on for netting the net positions of the time bands within zone k
$\bar{L}_{\text{Zone } k}$	Sum of the net long positions of the time bands in zone k: $\bar{L}_{\text{Zone } k} = \sum_{T \in \text{Zone } k} \max(L_T, -\mid S_T \mid 0)$
$\bar{S}_{\text{Zone } k}$	Sum of the net short positions of the time bands in zone k: $\bar{S}_{\text{Zone } k} = -\sum_{T \in \text{Zone } k} \min(L_T, -\mid S_T \mid 0)$
N_k	Net position of zone k: $N_k = \bar{L}_{\text{Zone } k} - \bar{S}_{\text{Zone } k}$
$\bar{N}_1$	Net position of zone 1 remaining after netting the respective net positions of zones 1 and 2: $\bar{N}_1 = \max[\max,(N_1, 0) + \min(N_2, 0)0] + \min[\min,(N_1, 0) + \max(N_2, 0)0]$
$\bar{N}_2$	Net position of zone 2 remaining after netting the respective net positions of zones 1 and 2: $\bar{N}_2 = \max[\max,(N_2, 0) + \min(N_1, 0)0] + \min[\min,(N_2, 0) + \max(N_1, 0)0]$
$\bar{N}_3$	Net position of zone 3 remaining after netting the respective net positions of zones 1 and 2, as well as zones 2 and 3: $\bar{N}_3 = \max[\max,(N_3, 0) + \min(\bar{N}_2, 0)0] + \min[\min,(N_3, 0) + \max(\bar{N}_2, 0)0]$

2.2 Total net positions of all time bands

The total net positions of all time bands are calculated using the following formula:

$$\sum_T (L_T - |S_T|)$$

2.3 Add-on for netting within time bands

The add-on for netting the total long position with the total short position within each time band is 5 percent of the sum of the closed positions resulting from this netting and is calculated using the following formula:

$$0{,}05 \cdot \sum_T \min(L_T, |S_T|)$$

2.4 Add-on for netting within zones

The add-on for netting the sum of the net long positions with the sum of the net short positions of the time bands within zone *k* is calculated as a percentage of the positions closed by this netting using the following formula:

$$z_k \cdot \min(\bar{L}_{\text{Zone } k}, \bar{S}_{\text{Zone } k}) \textbf{ with } z_1 = 0.4 \textbf{ and } z_2 = z_3 = 0.3$$

2.5 Add-on for netting between zones 1 and 2

The add-on for netting the net position of zone 1 with the net position of zone 2 is 40 percent of the closed position resulting from this netting and is calculated using the following formula:

$$0{,}4 \cdot \min[\max(N_1, 0) + \max(N_2, 0), -\min(N_1, 0) - \min(N_2, 0)]$$

2.6 Add-on for netting between zones 2 and 3

The add-on for netting the net position remaining in zone 2 in accordance with Article 18(4)(d) with the net position in zone 3 is 40 percent of the closed position resulting from this netting and is calculated using the following formula:

$$0{,}4 \cdot \min[\max(\bar{N}_2, 0) + \max(N_3, 0), -\min(\bar{N}_2, 0) - \min(N_3, 0)]$$

2.7 Add-on for netting between zones 1 and 3

The add-on for netting the net position remaining in zone 1 in accordance with Article 18(4)(d) with the net position remaining in zone 3 in accordance with Article 18(4)(e) is to be 100 percent of the closed position resulting from this netting and is to be calculated using the following formula:

$$\min[\max(\bar{N}_1, 0) + \max(\bar{N}_3, 0), -\min(\bar{N}_1, 0) - \min(\bar{N}_3, 0)]$$

Annex 3 (Article 35(2) and (3))

Commodity risk: Maturity Band Method

1 Maturity bands

Maturity band	Maturity
1	⩽ 1 month
2	> 1 months ⩽ 3 months
3	> 3 months ⩽ 6 months
4	> 6 months ⩽ 12 months
5	> 1 year ⩽ 2 years
6	> 2 years ⩽ 3 years
7	> 3 years

2 Calculation of minimum capital requirements

2.1 Overview of calculation parameters

i	Index for positions
T, t	Index for the maturity band as per the table in section 1
$L_{T,i}$	Individual long position $i$in maturity band T, with $L_{T,i} \geq 0$
L_T	Total long position of maturity band T, with $L_T = \sum_i L_{T,i}$; if no individual long position exists in maturity band T, then $L_T = 0$
$S_{T,i}$	Individual short position $i$in maturity band T, with $S_{T,i} \leq 0$
S_T	Total short position of maturity band T, with $S_T = \sum_i S_{T,i}$; if no individual short position exists in maturity band T, then $S_T = 0$
N_T	Net position of maturity bands 1 to T, where $N_1 = L_1 - \mid S_1 \mid$and $N_{T+1} = L_{T+1} - \mid S_{T+1} \mid + N_T = \sum_{t \leq T+1} L_t - \mid S_t \mid$, for $T < 7$

2.2 Add-on for netting within maturity bands

The add-on for netting the total long position with the total short position within each maturity band is 5 percent of twice the sum of the closed positions resulting from this netting and is calculated using the following formula:

$$0{,}015 \cdot \sum_T 2 \cdot \min(L_T, |S_T|)$$

2.3 Add-on for carrying forward a net position

The add-on for carrying forward the net positions of all maturity bands to the next longer maturity band is calculated using the following formula:

$$0{,}006 \cdot \sum_{T<7} |\mathrm{N_T}|$$

2.4 Add-on for netting carried forward net positions

The add-on for netting the net positions of the shorter maturity bands carried forward in accordance with Article 35(3)(b) (N_T for maturity band *T*) with the position remaining in the next longer maturity band in accordance with Article 35(3)(a) $(L_{T+1} - |S_{T+1}|)$ is 1.5 percent of twice the sum of the closed positions resulting from this netting and is calculated using the following formula:

$$0{,}015 \cdot \sum_{T<7} 2 \cdot \min[\max(L_{T+1} - |S_{T+1}|, N_T, 0), -\min(L_{T+1} - |S_{T+1}|, N_T, 0)]$$

2.5 Proportion for the remaining net position

The proportion for the net position remaining in accordance with Article 35(3)(a) to (c) is 15 percent of its absolute amount and is calculated using the following formula:

$$0{,}15 \cdot |N_7| = 0{,}15 \cdot |\sum_T L_T - |S_T||$$

Annex 4 (Articles 42*b* and 43(2)(b))

Gamma effect

$$\text{Gamma-Effekt} = 0{,}5 \cdot \Gamma \cdot \Delta V^2$$

Γ Gamma of the option,

ΔV change in value of the option's underlying asset to be determined according to the following rules:

a. Options on bonds:
   1. General market risk: multiplication of the price of the underlying bond by the risk weighting factor as specified in Annex 1, depending on the term of the bond,
   2. specific market risk: multiplication of the price of the underlying bond by the corresponding rate as specified in Annex 5 CAO;

b. Options on interest rates: assumed change in interest rates as specified in Annex 1, depending on the term of the underlying interest rate;

c. Options on shares or share indices:
   1. General market risk: multiplication of the underlying share price or index value by 8 percent;
   2. specific market risk: multiplication of the underlying share price or index value by 8 percent or 2 percent, respectively, for share indices as specified in Article 27(2);

d. Options on currencies or gold: multiplication of the underlying currency or gold price by 8 percent;

e. Options on commodities: multiplication of the underlying commodity price by 15 percent.

Annex 5 (Article 44)

Vega effect

Vega effect = 0,25 . υ . σ

υ vega of the option

σ implied volatility

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