Single Rulebook Q&A

Question ID	2021_6122
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Market risk
Article	325h
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	not applicable
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Disclose name of institution / entity	No
Type of submitter	Consultancy firm
Subject matter	Gamma correlations regarding curvature risk in low and high scenario
Question	To calculate the gamma correlation to be used for the curvature risk in the low and high scenarios, should institutions at first square the gamma correlation used for the delta risk and then apply the formulas provided for in Article 325h CRR or vice versa?
Background on the question	Article 325ay(5) reports that the curvature risk correlations shall be the square of corresponding delta risk correlations ρ_{kl} and γ_{bc} referred to in Subsection 1. Article 325h Regulation (EU) No 575/2013 (CRR) - as amended by Regulation (EU) No 2019/876 and Commission delegated Regulation (EU) 2021/424 - reports the formulas to apply at the rho and gamma correlations to obtain the rho and gamma correlations in the low and high scenarios. The legal text does not define which of the two Articles should be applied first.
Final answer	The correlation parameters ρkl and γbc to be used in the calculation of the risk-class specific curvature own funds requirements for the low and high correlations scenarios of Article 325h(2) Regulation (EU) No 575/2013 as amended (CRR), shall be the corresponding delta risk correlations ρkl and γbc after they are squared following Article 325ay(5) CRR.

Link	https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2021_6122

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