

# Single Rulebook Q&A

<b>Question ID</b>	2021_6269
<b>Status</b>	Final Q&A
<b>Legal act</b>	Regulation (EU) No 575/2013 (CRR)
<b>Topic</b>	Market risk
<b>Article</b>	325a
<b>Paragraph</b>	2
<b>Subparagraph</b>	-
<b>COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations</b>	Not applicable
<b>Article/Paragraph</b>	not applicable
<b>Date of submission</b>	09/11/2021
<b>Published as Final Q&amp;A</b>	15/07/2022
<b>Disclose name of institution / entity</b>	No
<b>Type of submitter</b>	Consultancy firm
<b>Subject matter</b>	The size of all non-trading book positions that are subject to foreign exchange risk
<b>Question</b>	According to article 325a, paragraph 2, is the size of all non-trading book positions that are subject to foreign exchange risk equal to the higher between the total of the net short positions and the total of the net long positions computed according article 352 or is it the sum of absolute value of total of the net short positions and the total of the net long positions?
<b>Background on the question</b>	At paragraph 2 of article 325a are reported that all non-trading book positions that are subject to foreign exchange risk shall be included in the size of their on- and off-balance- sheet business that is subject to market risk and these shall be considered as an overall net foreign exchange position and valued in accordance with Article 352. However in the letter f are reported that the absolute value of long positions shall be added to the absolute value of short positions.
<b>Final answer</b>	For the purpose of calculating the size of their on- and off- balance sheet business that is subject to market risk in accordance with Article 325a(2) of Regulation (EU) No 575/2013 (CRR), institutions are to perform the following steps:

- (i) Calculate the overall net foreign-exchange position in accordance with Article 352 CRR. This step is done by considering only non-trading book positions that are subject to FX risk (i.e. without the inclusion of trading-book positions), and should result in a single overall net foreign-exchange position covering for all currencies (as in Article 325(4) CRR). As a result, the institution will obtain either an overall net long foreign-exchange position or an overall net short foreign-exchange position;
- (ii) Calculate, for each commodity, the net position in the commodity as referred to in Article 357(3) CRR. This step is done by considering only non-trading book positions that are subject to Commodity risk (i.e. without the inclusion of trading-book positions) and should result in the identification of a net long (or net short) position for each commodity;
- (iii) Calculate the size of their long positions in the trading book (i.e. without the inclusion of any position in the non-trading book) and the size of their short positions in the trading book (i.e. without the inclusion of any position in the non-trading book);
- (iv) Sum all short positions resulting from points (i)-(iii), and sum all long positions resulting from points (i)-(iii);
- (v) Sum the absolute values of the two sums obtained as a result of point (iv).  
Simplified example:
- Consider the case of an institution with:
- (i) An overall net short foreign-exchange position considering only non-trading book position of EUR 0.5M
- (ii) A net short position in gas in the non-trading book of EUR 1M, and a net long position in oil in the non-trading book of EUR 2M
- (iii) The size of the short positions in the trading book is EUR 4M, and the size of the long positions in the trading book is EUR 5M
- (iv) The sum of the short positions resulting from points (i)-(iii) is EUR 5.5M (0.5M + 1M + 4M), and the sum of the long positions resulting from points (i)-(iii) is EUR 7M (2M + 5M)
- (v) The size of the business subject to market risk is EUR 12.5M (7M + 5.5M)

**Link**

[https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2021\\_6269](https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2021_6269)

European Banking Authority, 01/04/2023

[www.eba.europa.eu](http://www.eba.europa.eu)