

<b>Question ID</b>	2013_589
<b>Status</b>	Final Q&A
<b>Legal act</b>	Regulation (EU) No 575/2013 (CRR)
<b>Topic</b>	Market risk
<b>Article</b>	359
<b>Paragraph</b>	2
<b>Subparagraph</b>	-
<b>COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations</b>	Not applicable
<b>Article/Paragraph</b>	CRR 359
<b>Date of submission</b>	29/11/2013
<b>Published as Final Q&amp;A</b>	30/04/2014
<b>Disclose name of institution / entity</b>	No
<b>Type of submitter</b>	Industry association
<b>Subject matter</b>	Own funds requirements for commodities risk
<b>Question</b>	<p>Article 359(2) of Regulation (EU) No. 575/2013 states: “Positions in the same commodity may be offset and assigned to the appropriate maturity bands on a net basis for the following: (a) positions in contracts maturing on the same date; (b) positions in contracts maturing within 10 days of each other if the contracts are traded on markets which have daily delivery dates.” A Fair Value Option is applied to the positions in the Banking Book. The positions are hedged “back-to-back” in terms of cash flows that are exactly offsetting each other and represent thus a perfect economic hedge. Due to discounting effects positions are not however perfectly netted in terms of market values, and thus in terms of net delta weighted equivalents. Does that still mean that the institution shall assign zero values to all the maturity bands in the Table 1 referring to the Maturity ladder approach, or must the netted cash deltas be assigned to each the maturity band instead?</p>
<b>Background on the question</b>	<p>A Fair Value Option is applied to the positions in the Banking Book. The positions are hedged “back-to-back” in terms of cash flows that are exactly offsetting each other and represent thus a perfect economic hedge. Due to discounting effects positions are not however perfectly netted in terms of market values, and thus in terms of net delta weighted equivalents. We are</p>

	not sure how we shall interpret the maturity ladder approach for the back-to-back hedged commodity positions.
<b>Final answer</b>	In accordance with Article 359 of Regulation (EU) No. 575/2013, the institution shall assign netted cash deltas to each of the maturity bands.
<b>Link</b>	<a href="https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_589">https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_589</a>

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