



**Single
Rulebook
Q&A**

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Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Market risk
Article	357
Paragraph	1, 4
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	N/A
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Disclose name of institution / entity	No
Type of submitter	Investment firm
Subject matter	Treatment of commodity indices
Question	Must exposures to commodity indices be broken down into its underlying constituent commodities or can a commodity index be treated as if it were an individual commodity, just like stock indices (see Article 344 of Regulation (EU) No. 575/2013 (CRR))?
Background on the question	Article 344 states that stock index futures can be treated as if a future were an individual equity. Articles 355-361 concerning own funds requirements for commodities risk do not mention the same possibility for commodity index futures, which we have interpreted as commodity index futures must be broken down into positions in each of their constituent commodities. An

	<p>example of a commodity index is the commodity index S&P GSCI which contains following 24 commodities: Gold Silver Aluminium Copper Lead Nickel Zinc Live Cattle Feeder Cattle Lean Hogs Crude Oil Brent Crude Oil Unleaded Gas Heating Oil GasOil Natural Gas Wheat Red Wheat Corn Soybeans Cotton Sugar Coffee Cocoa The exposure to this index must then be broken down into exposure for each of the 24 single commodities.</p>
<p>EBA answer</p>	<p>The institution has to break down the commodity-index or the commodity-index future into positions in each of its constituent commodities in order to be able to express each position in commodities or commodity derivatives in terms of the standard unit of measurement according to Article 357(1) of Regulation (EU) No. 575/2013 (CRR).</p> <p>Chapter 4, Title IV of Part Three of the CRR does not mention a specific treatment for commodity-indices or commodity-index futures comparable to the stock-index future treatment specified in Article 344 of the CRR that would allow an institution to treat commodity-indices or commodity-index futures as if they were individual commodities. Indeed, for the purpose of calculating own funds requirements according to the “Simplified Approach” in Article 360, an institution needs to break down the commodity-index or the commodity-index future into positions in each of its constituent commodities in order to determine its net position in the same commodity and identical commodity futures, options and warrants, according to Article 357(3). Derivative instruments shall furthermore be treated, as laid down in Article 358, as positions in the underlying commodity. For the purpose of calculating own funds requirements according to the “Maturity ladder approach” in Article 360 or the “Extended maturity ladder approach” in Article 361, an institution needs to break down the commodity-index or the commodity-index future into positions in each of its constituent commodities in order to be able to use a separate maturity ladder for each commodity, and to offset positions in the same commodity in line with Article 359(1) and (2).</p> <p>Nevertheless, Article 357(4) of CRR specifies the conditions under which similar commodities can be treated as positions in the same commodity, alternatively to a separate treatment for each (and to a single one) commodity. Thus, if all components of a commodity-index were able to meet the requirements of Article 357(4), the index could be considered as a position in a same commodity.</p>
<p>Link</p>	<p>https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_163</p>