

## ANNEX 2

### 1. Instructions applicable to all templates

The following definitions shall apply to all templates:

**Upside uncertainty:** As determined by Article 8(2) of the RTS, AVAs are calculated as the difference between the fair value and a prudent valuation that is defined on the basis of a 90% confidence that institutions can exit the exposure at that point or better within the notional range of plausible values. The upside value or ‘upside uncertainty’ is the opposing point in the distribution of plausible values at which institutions are only 10% confident that they can exit the position at that point or better. The upside uncertainty shall be calculated and aggregated on the same basis as the total AVA but substituting a 10% level of certainty for the 90% used when determining the total AVA.

#### **Explanatory text for consultation purposes**

The EBA believes that an understanding of where the accounting fair value sits within the notional range of plausible values at an aggregate level is essential context for assessing that the downside of this range, and therefore the AVA, is appropriately reported.

**Question 1:** Do you agree with this statement? If not please explain your reasoning.

**Question 2:** Would the ‘upside uncertainty’ measure defined above and used in column 120 of template C 32.02 be suitable as a definition of the upside uncertainty? If not please provide reasons and any alternative suggestions for how such an upside measure could be defined.

**Hybrid products asset class:** The asset class ‘hybrid products’ shall cover portfolios on which the principal risk arises from trading in instruments that have a strong dependency on the interaction between underlyings from two or more asset classes and cannot therefore be decomposed at a position or risk level between the asset class categories.

### 2. C 32.01 Prudent Valuation – Absolute Value of Assets and Liabilities

#### 2.1. General remarks

This template is to be completed by all institutions, whether or not they have adopted the simplified approach, to report the absolute value of fair-valued assets and liabilities that is used to determine whether or not the conditions set out in Article 4 of Commission Delegated Regulation (EU) 2016/101 (‘the RTS’) for using the simplified approach for the determination of Additional Valuation Adjustments (‘AVAs’) are met.

Institutions shall indicate in the cell ‘APPROACH APPLIED FOR THE DETERMINATION OF AVAS’ whether they apply the core approach (please report ‘1’) or the simplified approach (please report ‘2’).

#### 2.2. Instructions concerning specific positions

<b>Columns</b>	
010	<b><u>FAIR-VALUED ASSETS AND LIABILITIES</u></b> Absolute value of fair-valued assets and liabilities, as stated in the financial statements under the applicable accounting framework, as referred to in Article 4(1) of the RTS, before any deduction pursuant to Article 4(2) of the RTS is performed.
020-060	<b><u>OF WHICH: AMOUNTS EXCLUDED BECAUSE OF PARTIAL IMPACT ON CET1</u></b>

	Absolute value of fair-valued assets and liabilities excluded pursuant to Article 4(2) of the RTS.
020	<b><u>EXACTLY MATCHING</u></b> Exactly matching offsetting fair valued assets and liabilities excluded according to Article 4(2) of the RTS.
030	<b><u>HEDGE ACCOUNTING</u></b> For positions subject to hedge accounting under the applicable accounting framework, absolute value of fair-valued assets and liabilities excluded in proportion to the impact of the relevant valuation change on CET1 capital according to Article 4(2) of the RTS.
040	<b><u>PRUDENTIAL FILTERS</u></b> Absolute value of fair-valued assets and liabilities excluded according to Article 4(2) of the RTS due to the prudential filters referred to in Article 33 of CRR or transitional filters referred to in Articles 467 and 468 of CRR.
050	<b><u>OTHER</u></b> Any other positions excluded according to Article 4(2) of the RTS due to adjustments to their accounting value having only a partial or zero impact on CET1 capital.  This column shall only be populated in rare cases where elements excluded pursuant to Article 4(2) of the RTS cannot be assigned to columns 020, 030 or 040 of this template.
060	<b><u>COMMENT FOR OTHER</u></b> Please describe the main reasons why the positions reported in column 050 were excluded.
070	<b><u>ASSETS AND LIABILITIES INCLUDED IN ART. 4(1) THRESHOLD</u></b> Absolute value of fair-valued assets and liabilities actually included in the threshold computation in accordance with Article 4(1) of the RTS.

<b>Rows</b>	
010 – 210	The definitions of the categories reported in rows 030 to 070 and 150 to 180 shall match those of the corresponding rows of templates F 01.01 and F 01.02 of Regulation (EU) No. 680/2014.  Rows 080 to 130 and 190 to 210 are for the use of national GAAP reporters and shall not be used by IFRS reporters.
010	<b><u>1. TOTAL FAIR-VALUED ASSETS AND LIABILITIES</u></b>
020	<b><u>1 ASSETS</u></b>
030	<b><u>1.1 ASSETS (IFRS OR COMPATIBLE NATIONAL GAAP)</u></b>  Rows 030 to 070 shall be reported when IFRS as endorsed by the European Union in application of Regulation (EU) 1606/2002 (EU IFRS) is the applicable accounting standard or when the applicable accounting standards are national accounting standards that permit or require to apply certain valuation rules for financial instruments in IFRS ('compatible National GAAP').

040	<p><b><u>1.1.1 FINANCIAL ASSETS HELD FOR TRADING</u></b></p> <p>IFRS 7.8(a)(ii); IAS 39.9, AG 14.</p> <p>The information reported in this row corresponds to row 050 of template F 01.01 of Annex III of Regulation (EU) No. 680/2014.</p>
050	<p><b><u>1.1.2 FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS</u></b></p> <p>IFRS 7.8(a)(i); IAS 39.9.</p> <p>The information reported in this row corresponds to row 100 of template F 01.01 of Annex III of Regulation (EU) No. 680/2014.</p>
060	<p><b><u>1.1.3 AVAILABLE-FOR-SALE FINANCIAL ASSETS</u></b></p> <p>IFRS 7.8(d); IAS 39.9.</p> <p>The information reported in this row corresponds to row 140 of template F 01.01 of Annex III of Regulation (EU) No. 680/2014.</p>
070	<p><b><u>1.1.4 DERIVATIVES - HEDGE ACCOUNTING</u></b></p> <p>IFRS 7.22(b); IAS 39.9 and IAS 39.71 and seq.</p> <p>The information reported in this row corresponds to row 240 of template F 01.01 of Annex III of Regulation (EU) No. 680/2014 for derivatives measured at fair value that are recognised as hedging instruments under IFRS or the compatible national GAAP.</p>
080	<p><b><u>1.2 ASSETS (OTHER GAAPS)</u></b></p> <p>Rows 080 - 130 shall be reported only if the applicable accounting standard is a national GAAP developed under Directive 86/635/EEC that does not permit or require to apply certain valuation rules for financial instruments in IFRS ('non-compatible National GAAP').</p> <p>References made to Annex IV of Regulation (EU) No. 680/2014 shall explain the content of the following rows. They are not an indication for a reporting requirement according to Annex IV of Regulation (EU) No. 680/2014.</p>
090	<p><b><u>1.2.1 TRADING FINANCIAL ASSETS</u></b></p> <p>Annex V. Part 1 point 15 of Regulation (EU) No. 680/2014.</p> <p>The information reported in this row corresponds to row 091 of template F 01.01 of Annex IV of Regulation (EU) No. 680/2014 for instruments measured at fair value through profit and loss included in the trading portfolio.</p>
100	<p><b><u>1.2.2 NON-TRADING NON-DERIVATIVE FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS</u></b></p> <p>4th Directive Art 42a(1) and (4) / Directive 2013/34/EU Art 8(1) point a and 8(4).</p> <p>The information reported in this row corresponds to row 171 of template F 01.01 of Annex IV of Regulation (EU) No. 680/2014.</p>
110	<p><b><u>1.2.3 NON-TRADING NON-DERIVATIVE FINANCIAL ASSETS MEASURED AT FAIR VALUE TO EQUITY</u></b></p> <p>4th Directive Art 42a(1) and Art 42c (2) / Directive 2013/34/EU Art 8(1) point a and Art 8(8).</p> <p>The information reported in this row corresponds to row 175 of template F 01.01 of Annex IV of</p>

	Regulation (EU) No. 680/2014.
120	<p><b><u>1.2.4 OTHER NON-TRADING NON-DERIVATIVE FINANCIAL ASSETS</u></b></p> <p>Annex V Part 1 point 17 of Regulation (EU) No. 680/2014.</p> <p>The information reported in this row corresponds to row 234 of template F 01.01 of Annex IV of Regulation (EU) No. 680/2014 for those assets reported in this row when they are measured at fair value. This includes assets measured at the lower of cost or market, when they are measured at market value on the reporting date.</p>
130	<p><b><u>1.2.5 DERIVATIVES - HEDGE ACCOUNTING</u></b></p> <p>The information reported in this row corresponds to row 240 of template F 01.01 of Annex IV of Regulation (EU) No. 680/2014 for derivatives measured at fair value that are recognised as hedging instruments under non-compatible national GAAP.</p>
140	<p><b><u>2 LIABILITIES</u></b></p>
150	<p><b><u>2.1 LIABILITIES (IFRS OR COMPATIBLE NATIONAL GAAP)</u></b></p> <p>Rows 150-180 shall be reported only when IFRS as endorsed by the European Union in application of Regulation (EU) 1606/2002 (EU IFRS) is the applicable accounting standard or when the applicable accounting standards are national accounting standards that permit or require to apply certain valuation rules for financial instruments in IFRS ('compatible National GAAP').</p>
160	<p><b><u>2.1.1 FINANCIAL LIABILITIES HELD FOR TRADING</u></b></p> <p>IFRS 7.8 (e) (ii); IAS 39.9, AG 14-15.</p> <p>The information reported in this row corresponds to row 010 of template F 01.02 of Annex III of Regulation (EU) No. 680/2014.</p>
170	<p><b><u>2.1.2 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS</u></b></p> <p>IFRS 7.8 (e)(i); IAS 39.9.</p> <p>The information reported in this row corresponds to row 070 of template F 01.02 of Annex III of Regulation (EU) No. 680/2014.</p>
180	<p><b><u>2.1.3 DERIVATIVES - HEDGE ACCOUNTING</u></b></p> <p>IFRS 7.22(b); IAS 39.9; Annex V. Part 1.23 of Regulation (EU) No. 680/2014.</p> <p>The information reported in this row corresponds to row 150 of template F 01.02 of Annex III of Regulation (EU) No. 680/2014 for derivatives measured at fair value that are recognised as hedging instruments under IFRS or the compatible national GAAP.</p>
190	<p><b><u>2.2 LIABILITIES (OTHER GAAPS)</u></b></p> <p>Row 200 and 210 shall be reported only if the applicable accounting standard is a national GAAP developed under Directive 86/635/EEC that does not permit or require to apply certain valuation rules for financial instruments in IFRS ('non-compatible National GAAP').</p>
200	<p><b><u>2.2.1 TRADING FINANCIAL LIABILITIES</u></b></p> <p>4th Directive Article 42a(3) / Directive 2013/34/EU Art 8(3).</p> <p>The information reported in this row corresponds to row 061 of template F 01.02 of Annex IV of</p>

	Regulation (EU) No. 680/2014 for instruments measured at fair value through profit and loss included in the trading portfolio.
210	<p><b><u>2.2.2 DERIVATIVES - HEDGE ACCOUNTING</u></b></p> <p>4th Directive Article 42a(1), (5a) and Article 42c(1)(a) / Directive 2013/34/EU Article 8(1)(a), (6) and (8); Annex V Part 1.23.</p> <p>The information reported in this row corresponds to row 150 of template F 01.02 of Annex IV of Regulation (EU) No. 680/2014 for derivatives measured at fair value that are recognised as hedging instruments under non-compatible national GAAP.</p>

### 3. C 32.02 – Prudent Valuation – Core Approach

#### 3.1. General Remarks

1.1 The purpose of this template is to provide information on the composition of the total AVA to be deducted from own funds under Articles 34 and 105, alongside relevant information about the accounting valuation of the positions that give rise to the determination of AVAs.

2.1 This template is to be completed by all institutions that:

- are required to use the core approach because they exceed the threshold referred to in Article 4(1) of the RTS, either on an individual or a consolidated basis as set out in Article 4(3) of the RTS, or
- have chosen to apply the core approach despite not exceeding the threshold.

#### **Explanatory text for consultation purposes**

In columns 130 to 270, information regarding accounting valuation is collected. Columns 130 and 140 are intended to collect information on fair valued assets and liabilities broken down by asset classes and product categories. The content of columns 170 to 270 is related to valuation adjustments which are calculated in the context of accounting valuation, again broken down by asset classes and product categories.

These columns intend to provide information on valuation adjustments already performed in the context of accounting valuation and compare those adjustments with corresponding AVAs required by the RTS. This information is considered to be particularly relevant for the understanding of final reported total AVA amount, in particular in the case of institutions that have a fair value, which already includes some prudence compared to expected value.

**Question 3:** Is the above approach to splitting out fair valued assets and liabilities and fair-value adjustments on the one hand between the different types of AVAs and on the other hand between asset classes and product categories practical to implement? If not please describe the practical obstacles. Please suggest any alternative approaches (particularly if an alternative approach has been found useful for internal reporting purposes).

#### 3.1

#### 3.2. Instructions concerning specific positions

<b>Columns</b>	
010 - 110	<p><b><u>CATEGORIES OF AVA</u></b></p> <p>The category level AVAs for market price uncertainty, close-out costs, model risk, concentrated positions, future administrative costs, early termination and operational risk are calculated as de-</p>

	<p>scribed in Articles 9 to 11 and 14 to 17 respectively.</p> <p>For the market price uncertainty, close-out cost and model risk categories, which are subject to diversification benefit as set out under Articles 9(6), 10(7) and 11(7) of the RTS respectively, category level AVAs shall be, unless indicated otherwise, reported as the straight sum of the individual AVAs before diversification benefit, since diversification benefits calculated using method 1 or method 2 of the Annex of the RTS are reported in rows 1.1.3, 1.1.3.1 and 1.1.3.2 of the template.</p> <p>For the market uncertainty, close-out cost and model risk categories, amounts calculated under the expert-based approach as defined in Articles 9(5)(b), 10(6)(b) and 11(4) should be separately reported in columns 020, 040 and 060.</p>
010	<p><b><u>MARKET PRICE UNCERTAINTY</u></b></p> <p>Article 105(10) of CRR.</p> <p>Sum of individual market price uncertainty AVAs computed according to Article 9 of the RTS.</p>
020	<p><b><u>OF WHICH: CALCULATED USING THE EXPERT-BASED APPROACH</u></b></p> <p>Sum of individual market price uncertainty AVAs computed according to Article 9(5)(b) of the RTS.</p>
030	<p><b><u>CLOSE-OUT COSTS</u></b></p> <p>Article 105(10) of CRR.</p> <p>Sum of individual close-out costs AVAs computed according to Article 10 of the RTS.</p>
040	<p><b><u>OF WHICH: CALCULATED USING THE EXPERT-BASED APPROACH</u></b></p> <p>Sum of individual close-out costs AVAs computed according to Article 10(6)(b) of the RTS.</p>
050	<p><b><u>MODEL RISK</u></b></p> <p>Article 105(10) of CRR.</p> <p>Sum of individual model risk AVAs computed according to Article 11 of the RTS.</p>
060	<p><b><u>OF WHICH: CALCULATED USING THE EXPERT BASED APPROACH</u></b></p> <p>Sum of individual model risk AVAs computed according to Article 11(4) of the RTS.</p>
070	<p><b><u>CONCENTRATED POSITIONS</u></b></p> <p>Article 105(11) of CRR.</p> <p>Total category level AVA for concentrated positions AVA as computed under Article 14(3) of the RTS.</p>
080	<p><b><u>FUTURE ADMINISTRATIVE COSTS</u></b></p> <p>Article 105(10) of CRR.</p> <p>Total category level AVA for future administrative costs AVA as computed under Article 15(4) of the RTS.</p>
090	<p><b><u>EARLY TERMINATION</u></b></p> <p>Article 105(10) of CRR.</p> <p>Early termination AVA as computed under Article 16 of the RTS.</p>

100	<p><b><u>OPERATIONAL RISKS</u></b></p> <p>Article 105(10) of CRR.</p> <p>Operational risk AVA as computed under Article 17 of the RTS.</p>
110	<p><b><u>TOTAL AVA</u></b></p>
120	<p><b><u>UPSIDE UNCERTAINTY</u></b></p> <p>Article 8(2) of the RTS.</p> <p>The upside uncertainty shall be calculated and aggregated on the same basis as the total AVA computed in column 110 but substituting a 10% level of certainty for the 90% used when determining the total AVA.</p>
130 -140	<p><b><u>FAIR-VALUED ASSETS AND LIABILITIES</u></b></p> <p>Absolute value of fair-valued assets and liabilities included in the threshold computation in accordance with Article 4(1) of the RTS. This includes positions for which AVAs are assessed to have zero value according to Article 9(2), 10(2) or 10(3) of the RTS.</p>
130	<p><b><u>FAIR-VALUED ASSETS</u></b></p> <p>Absolute value of fair-valued assets included in the threshold computation in accordance with Article 4(1) of the RTS, as reported in row 020 column 070 of template C 32.01. This includes positions for which AVAs are assessed to have zero value according to Article 9(2), 10(2) or 10(3) of the RTS.</p>
140	<p><b><u>FAIR-VALUED LIABILITIES</u></b></p> <p>Absolute value of fair-valued liabilities included in the threshold computation in accordance with Article 4(1) of the RTS, as reported in row 140 column 070 of template C 32.01. This includes positions for which AVAs are assessed to have zero value according to Article 9(2), 10(2) or 10(3) of the RTS.</p>
150	<p><b><u>QTD REVENUE</u></b></p> <p>The quarter-to-date revenues ('QTD revenue') attributed to the portfolios to which the relevant fair valued positions were assigned since the last reporting date.</p>
160	<p><b><u>IPV DIFFERENCE</u></b></p> <p>The sum across all positions and risk factors of the relevant portfolio of unadjusted difference amounts calculated at the reporting reference date under the independent price verification process performed in accordance with Article 105(8) of CRR ('IPV difference'), with respect to the best available independent data for the relevant position or risk factor.</p> <p>Unadjusted difference amounts refer to unadjusted differences between the trading system generated valuations and the valuations assessed during the monthly IPV process.</p> <p>Any component of the individual difference amounts that were adjusted in the books and records of the institution for the relevant month end date shall not be reported.</p>
170 270	<p><b><u>FAIR VALUE ADJUSTMENTS</u></b></p> <p>Adjustments, sometimes also referred to as 'reserves', within the accounting fair value of the relevant portfolio that are made outside of the valuation model used to generate carrying values and risk metrics at a position level for the purposes of day to day risk management.</p>

170	<p><b><u>MARKET PRICE UNCERTAINTY</u></b></p> <p>Fair value adjustments taken to reflect the risk premium arising from the existence of a range of observed prices for equivalent instruments or, in respect of a market parameter input to a valuation model, for the instruments from which the input has been calibrated.</p>
180	<p><b><u>CLOSE-OUT COSTS</u></b></p> <p>Fair value adjustments taken to adjust for the fact that the position level valuations do not reflect an exit price for the position or portfolio, in particular where such valuations are calibrated to a mid-market price.</p>
190	<p><b><u>MODEL RISK</u></b></p> <p>Fair value adjustments taken to reflect market or product factors that are not captured by the model used to calculate daily position values and risks ('valuation model') or to reflect an appropriate level of prudence given the uncertainty arising from the existence of a range of alternative valid modelling and calibration tools.</p>
200	<p><b><u>CONCENTRATED POSITIONS</u></b></p> <p>Fair value adjustments taken to reflect the fact that the aggregate position held by the institution is larger than normal traded volume or larger than the position sizes on which observable quotes or trades that are used to calibrate the price or inputs used by the valuation model are based.</p>
210	<p><b><u>UNEARNED CREDIT SPREADS</u></b></p> <p>Fair value adjustments taken to cover expected losses due to counterparty default on derivative positions.</p>
220	<p><b><u>INVESTING AND FUNDING COSTS</u></b></p> <p>Fair value adjustments taken to compensate where valuation models do not fully reflect the funding cost that market participants would factor into the exit price for a position or portfolio.</p>
230	<p><b><u>FUTURE ADMINISTRATION COSTS</u></b></p> <p>Fair value adjustments taken to reflect administrative costs that are incurred by the portfolio or position but are not reflected in the valuation model or the prices used to calibrate inputs to that model.</p>
240	<p><b><u>EARLY TERMINATION</u></b></p> <p>Fair value adjustments taken to reflect contractual or non-contractual early termination expectations that are not reflected in the valuation model.</p>
250	<p><b><u>OPERATIONAL RISK</u></b></p> <p>Fair value adjustments taken to reflect the risk premium that market participants would charge to compensate for operational risks arising from hedging, administration and settlement of contracts in the portfolio.</p>
260	<p><b><u>DAY 1 P&amp;L</u></b></p> <p>Fair value adjustments taken to reflect instances where the valuation model plus all other relevant fair value adjustments applicable to a position or portfolio did not reflect the price paid or received at the point of acquisition.</p>
270	<p><b><u>OTHER</u></b></p>



	Fair value adjustments that do not fall into any of the categories above.
280	<p><b><u>OVERHEDGES</u></b></p> <p>Where the valuation model is deliberately set up to model a set of terms that differ from the legal terms of a position (e.g. for the purposes of achieving a more manageable risk profile) the aggregate effect such differences on the valuation of the relevant sub-portfolio shall be reported in this column. Examples include barrier shifts and representation of a digital option as a put - call spread.</p>
290	<p><b><u>EXPLANATION / DESCRIPTION</u></b></p> <p>Please provide explanation and description as requested by relevant rows.</p>

Rows	
010-290	For all rows below, instructions are provided for the computation of AVAs referred to in columns 010 to 110. Where requested, Fair-Value Adjustments in columns 170 to 270, as well as information in other columns, shall be computed on the same perimeter as the one described for the computation of AVAs.
010	<p><b><u>1. TOTAL VALUATION ADJUSTMENTS</u></b></p> <p>Article 7(2) of the RTS</p> <p>For each relevant category of AVAs referred to in columns 010 to 110, total AVAs computed under the core approach as set out in Chapter 3 of the RTS for fair-valued assets and liabilities included in the threshold computation in accordance with Article 4(1) of the RTS. This includes the diversification benefits reported in row 220 in accordance with Articles 9(6), 10(7) and 11(7) of the RTS.</p>
020	<p><b><u>1.1 CORE APPROACH</u></b></p> <p>Article 7(2)(a) of the RTS</p> <p>For each relevant category of AVAs referred to in columns 010 to 110, total AVAs computed according to Articles 9 to 17 of the RTS for fair-valued assets and liabilities included in the threshold computation in accordance with Article 4(1) of the RTS, except fair-valued assets and liabilities subject to the treatment described in Article 7(2)(b) of the RTS.</p> <p>This includes the AVAs computed in accordance with Articles 12 and 13 of the RTS that are reported in rows 200 and 210 and are directly included in market price uncertainty AVAs, close-out costs AVAs and model risk AVAs as set out in Articles 12(2) and 13(2) of the RTS.</p> <p>This includes the diversification benefits reported in row 220 in accordance with Articles 9(6), 10(7) and 11(7) of the RTS.</p>
030 - 180	<p><b><u>1.1.1 BREAKDOWN BY PORTFOLIO</u></b></p> <p>For fair-valued assets and liabilities included in the threshold computation in accordance with Article 4(1) of the RTS, except fair-valued assets and liabilities subject to the treatment described in Article 7(2)(b) of the RTS, rows 030 to 180 provide a breakdown of AVAs by asset class for portfolios held in the trading book (rows 040 to 160), portfolios held in the non-trading book (row 170), as well as the netting benefit across portfolios (row 180).</p> <p>This excludes the AVAs computed in accordance with Articles 12 and 13 of the RTS that are re-</p>

	<p>ported in rows 200 and 210 and are directly included in market price uncertainty AVAs, close-out costs AVAs and model risk AVAs as set out in Articles 12(2) and 13(2) of the RTS.</p> <p>This excludes the diversification benefits reported in row 220 in accordance with Articles 9(6), 10(7) and 11(7) of the RTS.</p>
040 - 160	<p><b><u>1.1.1.1 TRADING BOOK</u></b></p> <p>Rows 040 to 160 provide a breakdown of AVAs by asset class and between ‘Exotic’ and ‘Vanilla’ product categories for portfolios held in the trading book.</p> <p>This allocation is a portfolio based allocation, not a position or a risk based allocation. An AVA shall, to the extent possible, be attached to a portfolio.</p> <p>Where an AVA is calculated on a position basis, the portfolio which the AVA will be attached to shall be the portfolio in which the position is booked. Portfolios shall then be assigned to one of the asset classes and product categories based on the principal activity of the portfolio.</p> <p>Where AVAs or Fair-Value Adjustments are calculated on a firm-wide net risk basis across trading book portfolios such that a portfolio split would not be meaningful then it shall be attached to the portfolio that is principally responsible for the risk management of that risk.</p> <p>The split between ‘Exotic’ and ‘Vanilla’ product categories is defined on the basis of the product categories given in Article 7 of the RTS on the assessment methodology for internal models for market risk (<b>CP version published on 14 December 2015</b>). Products referred to in categories 1 and 2 shall be classed as ‘Vanilla’, whereas products referred to in category 3 are classed as ‘Exotic’.</p> <p>Portfolios shall be allocated to one of these product categories based on the principal activity. A portfolio classed as ‘Exotic’ may also include ‘Vanilla’ hedges. Hedges shall be assigned to the same product category as the hedged instrument. A trading portfolio shall not be split between ‘Vanilla’ and ‘Exotic’ or between two asset classes. However, where a portfolio includes significant instruments of a type that would normally be reported in an alternative asset class / product category and that are not present to hedge other instruments in the portfolio, those instruments shall be included within that other asset class / product category.</p> <p>This excludes the AVAs computed in accordance with Articles 12 and 13 of the RTS.</p> <p>This excludes the diversification benefits reported in row 220 in accordance with Articles 9(6), 10(7) and 11(7) of the RTS.</p>
050	<b><u>1.1.1.1.1 EQUITIES - EXOTIC</u></b>
060	<b><u>1.1.1.1.2 EQUITIES - VANILLA</u></b>
070	<b><u>1.1.1.1.3 RATES - EXOTIC</u></b>
080	<b><u>1.1.1.1.4 RATES - VANILLA</u></b>
090	<b><u>1.1.1.1.5 CREDIT - EXOTIC</u></b>
100	<b><u>1.1.1.1.6 CREDIT - VANILLA</u></b>

110	<b><u>1.1.1.1.7 COMMODITIES - EXOTIC</u></b>
120	<b><u>1.1.1.1.8 COMMODITIES - VANILLA</u></b>
130	<b><u>1.1.1.1.9 FX - EXOTIC</u></b>
140	<b><u>1.1.1.1.10 FX - VANILLA</u></b>
150	<b><u>1.1.1.1.11 HYBRID PRODUCTS</u></b>
160	<p><b><u>1.1.1.1.12 OTHER TRADING BOOK PORTFOLIOS</u></b></p> <p>This row is included to provide flexibility solely for reporting purposes. It shall only be populated in rare cases where portfolios cannot be allocated to the categories defined in rows 050 -150 of this template. An explanation and description shall be provided in column 290.</p>
170	<p><b><u>1.1.1.2 NON TRADING BOOK</u></b></p> <p>AVAs and Fair-Value Adjustments for fair valued positions outside of the regulatory trading book.</p> <p>This excludes the AVAs computed in accordance with Articles 12 and 13 of the RTS.</p> <p>This excludes the diversification benefits reported in row 220 in accordance with Articles 9(6), 10(7) and 11(7) of the RTS.</p>
180	<p><b><u>1.1.1.3 (-) NETTING BENEFIT ACROSS PORTFOLIOS</u></b></p> <p>Where the AVAs calculated under the portfolio-based categorisation above do not sum to the total AVA for the institution before diversification benefits computed in accordance with Articles 9(6), 10(7) and 11(7) of the RTS, because portfolios have offsetting risk, the balancing adjustment required to arrive at the institution-level total pre-diversification AVA shall be included in this row.</p> <p>Netting benefit shall be reported as negative amounts.</p>
190	<p><b><u>1.1.2 CROSS-ASSET CLASS AVA CATEGORIES</u></b></p> <p>Sum of rows 200 and 210.</p>
200	<p><b><u>1.1.2.1 UNEARNED CREDIT SPREADS AVA</u></b></p> <p>Article 105 (10) of CRR, Article 12 of RTS</p> <p>The AVA calculated for unearned credit spreads and allocated between market price uncertainty, close-out cost or model risk under Article 12 of the RTS.</p> <p>Information should be reported separately to the portfolio based breakdown above, along with associated fair value adjustments.</p>

210	<p><b><u>1.1.2.2 INVESTING AND FUNDING COSTS AVA</u></b></p> <p>Article 105 (10) of CRR, Article 17 of RTS</p> <p>The AVA calculated for investing and funding costs and allocated between market price uncertainty, close-out cost or model risk under Article 13 of the RTS.</p> <p>Information should be reported separately to the portfolio based breakdown above, along with associated fair value adjustments</p>
220	<p><b><u>1.1.3 (-) DIVERSIFICATION BENEFITS</u></b></p> <p>Total diversification benefit. Sum of rows 230 and 240.</p> <p>Diversification benefits shall be reported as negative amounts.</p>
230	<p><b><u>1.1.3.1 (-) DIVERSIFICATION BENEFIT CALCULATED USING METHOD 1</u></b></p> <p>For those categories of AVA aggregated under Method 1 of the Annex to the RTS under Articles 9(6), 10(7) and 11(6) of the RTS, the difference between the sum of the individual AVAs and the total category level AVA after adjusting for aggregation.</p> <p>Diversification benefits shall be reported as negative amounts.</p>
240	<p><b><u>1.1.3.2 (-) DIVERSIFICATION BENEFIT CALCULATED USING METHOD 2</u></b></p> <p>For those categories of AVA aggregated under Method 2 of the Annex to the RTS under Articles 9(6), 10(7) and 11(6) of the RTS, the difference between the sum of the individual AVAs and the total category level AVA after adjusting for aggregation.</p> <p>Diversification benefits shall be reported as negative amounts.</p>
250	<p><b><u>1.1.3.2* MEMORANDUM ITEM: PRE-DIVERSIFICATION AVAS REDUCED BY MORE THAN 90% BY DIVERSIFICATION UNDER METHOD 2.</u></b></p> <p>In the terminology of Method 2 of the Annex to the RTS, the sum of FV – PV for all valuation exposures for which APVA &lt; 10% (FV – PV).</p>
260	<p><b><u>1.2 PORTFOLIOS CALCULATED UNDER THE FALL-BACK APPROACH</u></b></p> <p>For positions subject to the fall-back approach under Article 7(2)(b) of the RTS, the total AVA shall be computed as a sum of rows 270, 280 and 290.</p> <p>Relevant balance sheet and other information shall be provided in columns 130 - 280. A description of the positions and the reason why it was not possible to apply Articles 9 to 17 of the RTS shall be provided in the column 290.</p>
270	<p><b><u>1.2.1 FALL-BACK APPROACH; 100% UNREALISED PROFIT</u></b></p> <p>Article 7(2)(b)(i) of the RTS.</p>
280	<p><b><u>1.2.2 FALL-BACK APPROACH; 10% NOTIONAL VALUE</u></b></p> <p>Article 7(2)(b)(ii) of the RTS.</p>
290	<p><b><u>1.2.3 FALL-BACK APPROACH; 25% OF INCEPTION VALUE</u></b></p> <p>Article 7(2)(b)(iii) of the RTS.</p>

**Explanatory text for consultation purposes**

Rows 040 to 160 provide a breakdown of AVAs by broad asset class and between ‘Exotic’ and ‘Vanilla’ product categories for portfolios held in the trading book. This allocation is a portfolio based allocation, not a position or a risk based allocation. An AVA shall, to the extent possible, be attached to a portfolio.

**Question 4:** Is the above portfolio-based approach to splitting out AVAs and other attributes between ‘Exotic’ and ‘Vanilla’ practical to implement? If not please describe the practical obstacles. Please suggest any alternative approaches (particularly if an alternative approach has been found useful for internal reporting purposes).

### **Explanatory text for consultation purposes**

Row 180 is intended to highlight where offsets of risk exist between portfolios such that the total institution-level AVA is not the sum of the portfolio-level AVAs.

**Question 5:** Do you think such mismatches between the portfolio-level AVAs and the institution-level AVAs would be significant? Please give examples.

**Question 6:** Where the difference is significant what additional practical difficulties would arise from calculating AVAs for each of the portfolio categories in rows 050-170?

## 4. C 32.03 – Prudent Valuation – Model Risk AVA

### 4.1. General remarks

This template is only applicable for institutions using the core approach. It shall be used to report details of the top 50 individual model risk AVAs as computed in accordance with Article 11 of the RTS. The top 50 individual model risk AVAs, and corresponding product information, shall be reported in decreasing order starting from the largest individual model risk AVAs in row 010 and the lowest in row 500. Products corresponding to these top individual model risk AVAs shall be reported using the product inventory required by Article 19(3)(a) of the RTS.

Where sufficiently homogenous with respect to valuation model, model risk and the model risk AVA calculation, products should be merged and shown on one line for the purpose of maximising coverage of this template in respect of the total category level Model Risk AVA of the institution.

### 4.2. Instructions concerning specific positions

<b>Columns</b>	
010	<p><b><u>MODEL</u></b></p> <p>Internal name (alpha-numerical) of the model used by the institution to identify the model.</p>
020	<p><b><u>ASSET CLASS</u></b></p> <p>The asset class referred to in Template C 32.02 that is most relevant in respect of the features of the product that give rise to the model risk valuation adjustment: Equities, Rates, Credit, Commodities, FX or Hybrid products.</p> <p>Institutions shall report the following codes:</p> <p>EQ – Equities</p> <p>RA – Rates</p> <p>CR – Credit</p>

	<p>CO – Commodities</p> <p>FX – Foreign-exchange</p> <p>HY – Hybrid products</p>
030	<p><b><u>PRODUCT</u></b></p> <p>Internal name (alpha-numerical) for the product or group of products that is valued using the model.</p>
040	<p><b><u>PRODUCT DESCRIPTION</u></b></p> <p>Description of the product or group of products including the main features or market factors that give rise to model risk.</p>
050	<p><b><u>MODEL DESCRIPTION</u></b></p> <p>Description of the main features of the valuation model that is used to derive the accounting fair value. This should include a description of any model-related Fair Value Adjustments where relevant.</p>
060	<p><b><u>OBSERVABILITY</u></b></p> <p>Number of price observations for the product or group of products in the last twelve months that meet either of the following criteria:</p> <ul style="list-style-type: none"> <li>- The price observation is a price at which the institution has conducted a transaction</li> <li>- It is a verifiable price for an actual transaction between other arms-length parties</li> <li>- The price is obtained from a committed quote.</li> </ul> <p>Institutions shall report one of the following: ‘none’, ‘1-6’, ‘6-24’, ‘24-100’, ‘100+’.</p>
070	<p><b><u>MODEL RISK AVA</u></b></p> <p>Article 11(1) of the RTS.</p> <p>Individual model risk AVA before diversification benefit, but after portfolio netting where relevant as reported in rows 030-180, column 050 of Template C 32.02.</p>
080	<p><b><u>OF WHICH: USING EXPERT-BASED APPROACH</u></b></p> <p>Amounts in column 070 that have been calculated under the expert-based approach as defined in Art 11(4) of the RTS.</p>
090	<p><b><u>OF WHICH: AGGREGATED USING METHOD 2</u></b></p> <p>Amounts in column 070 that have been aggregated under Method 2 of the Annex to the RTS. This corresponds to ‘(FV – PV)’ in the terminology of the Annex to the RTS.</p>
100	<p><b><u>AGGREGATED AVA CALCULATED UNDER METHOD 2</u></b></p> <p>The contribution towards the total category level AVA for model risk, as computed according to Article 11(7) of the RTS, of individual model risk AVAs that are aggregated using Method 2 of the Annex. This corresponds to APVA in the terminology of the Annex to the RTS.</p>
110	<p><b><u>NUMBER OF POSITIONS</u></b></p> <p>The number of individual trades, or in the case of fungible instruments, the number of positions, that are mapped to the product or group of products in column 030.</p>

120-130	<p><b><u>FAIR-VALUED ASSETS AND LIABILITIES</u></b></p> <p>Absolute value of fair-valued assets and liabilities valued using the model reported in column 010 as stated in the financial statements under the applicable framework.</p>
120	<p><b><u>FAIR-VALUED ASSETS</u></b></p> <p>Absolute value of fair-valued assets valued using the model reported in column 010 as stated in the financial statements under the applicable framework.</p>
130	<p><b><u>FAIR-VALUED LIABILITIES</u></b></p> <p>Absolute value of fair-valued liabilities valued using the model reported in column 010 as stated in the financial statements under the applicable framework.</p>
140	<p><b><u>GROSS NOTIONAL</u></b></p> <p>Aggregate gross notional value of positions that are valued using the model reported in column 010.</p>
150	<p><b><u>IPV DIFFERENCE (OUTPUT TESTING)</u></b></p> <p>The sum of unadjusted difference amounts calculated at the reporting reference date under the independent price verification process performed in accordance with Art 105(8) of the CRR ('IPV difference'), with respect to the best available independent data for the corresponding product or group of products.</p> <p>Unadjusted difference amounts refer to unadjusted differences between the trading system generated valuations and the valuations assessed during the monthly IPV process.</p> <p>Any component of the individual difference amounts that were adjusted in the books and records of the institution for the relevant month end date shall not be reported</p> <p>Only results that have been calibrated from prices of instruments that would be mapped to the same product (output testing) shall be included here. Input testing results from market data inputs that are tested against levels that have been calibrated from different (typically more vanilla) products shall not be included.</p>
160	<p><b><u>IPV COVERAGE (OUTPUT TESTING)</u></b></p> <p>The percentage of those positions mapped to the model weighted by model risk AVA that is covered by the output IPV testing results given in column 150.</p>
170 – 200	<p><b><u>FAIR VALUE ADJUSTMENTS</u></b></p> <p>Fair Value adjustments (as defined for columns 190, 240, 260 and 270 of template C 32.02)) that have been applied to the positions mapped to the model in column 010.</p>
210	<p><b><u>OVERHEDGES</u></b></p> <p>Overhedges (as defined in columns 280 of template C 32.02) that have been applied to the positions mapped to the model in column 010.</p>

### **Explanatory text for consultation purposes**

Columns 040 and 050 of the Model risk AVA template request descriptions of the main features of the model and corresponding products valued using the model. As a consequence, the columns contain open cells limited by the maximum number of characters available per cell in the national IT-reporting systems (e.g. 60 characters).

Only the main features of the model or products should be reported. This information is meant to highlight what is referred to behind the internal names reported in Columns 010 and 030, in particular for the purposes of cross-firm analysis.

While this is expected to introduce a substantial one off cost at the first implementation of the template, it is considered that the descriptions should be relatively stable over time not to generate significant burden thereafter.

**Question 7:** What are stakeholders' views on the ability to usefully summarise in a few key words the models and products concerned, as well as on the associated reporting burden or IT issues?

## 5. C 32.04 – Prudent Valuation – Concentrated positions AVA

### 5.1. General remarks

This template is only applicable for institutions using the core approach. It shall be used to report details of the top 50 individual concentrated positions AVAs in terms of AVA amount that contribute to the total category level AVA for concentrated positions AVA computed according to Article 14 of the RTS and which is reported in column 070 of template [C 32.02]. The top 50 concentrated positions AVAs, and corresponding product information, shall be reported in decreasing order starting from the largest individual concentrated positions AVAs in row 010 to the lowest in row 500.

Products corresponding to these top individual concentrated positions AVAs shall be reported using the product inventory required by Article 19(3)(a) of the RTS.

Positions that are homogenous in terms of both risk measure and AVA calculation methodology should be aggregated where this is both possible and necessary in order to maximise the coverage of this template.

### 5.2. Instructions concerning specific positions

<b>Columns</b>	
010	<p><b><u>ASSET CLASS</u></b></p> <p>The asset class - from Equities, Rates, Credit, Commodities, FX or Hybrid products- that most appropriately characterises the position.</p> <p>Institutions shall report the following codes:</p> <p>EQ – Equities</p> <p>RA – Rates</p> <p>CR – Credit</p> <p>CO – Commodities</p> <p>FX – Foreign-exchange</p> <p>HY – Hybrid products</p>
020	<p><b><u>PRODUCT</u></b></p> <p>Internal name (alpha-numerical) for the product or group of products that the contracts comprising the concentrated positions are mapped to.</p>
030	<p><b><u>UNDERLYING</u></b></p>



	Internal name (alpha-numerical) of the underlying, or underlyings, in the case of derivatives or of the instruments in the case of non-derivatives.
040	<p><b><u>RELEVANT RISK MEASURE</u></b></p> <p>In the case of a risk arising from a derivative portfolio that is marked to model for the purpose of day-to-day risk management, please describe the units in which the risk is expressed for internal risk management purposes.</p> <p>Enter 'price' in the case of a position marked to market for risk management purposes.</p>
050	<p><b><u>RISK AMOUNT</u></b></p> <p>The amount of the risk as described in column 040.</p> <p>In the case of a position marked to market, the market value of the position should instead be entered in column 060.</p>
060	<p><b><u>GROSS NOTIONAL</u></b></p> <p>For positions arising from derivative instruments and bonds, the gross notional amount of the position.</p>
070	<p><b><u>MARKET VALUE</u></b></p> <p>Market value of the position.</p>
080	<p><b><u>PRUDENT EXIT PERIOD</u></b></p> <p>The prudent exit period estimated under Art 14(1)(b).</p>
090	<p><b><u>CONCENTRATED POSITION AVA</u></b></p> <p>The concentrated positions AVA amount according to Article 14 (1) of RTS.</p>
100	<p><b><u>CONCENTRATED POSITION FAIR-VALUE ADJUSTMENT</u></b></p> <p>The amount of any fair value adjustments taken to reflect the fact that the aggregate position held by the institution is larger than normal traded volume or larger than the position sizes on which quotes or trades that are used to calibrate the price or inputs used by the valuation model are based.</p>
110	<p><b><u>IPV DIFFERENCE</u></b></p> <p>The sum of unadjusted difference amounts calculated at the reporting reference date under the independent price verification process performed in accordance with Art 105(8) of the CRR ('IPV difference'), with respect to the best available independent data for the corresponding position.</p> <p>Unadjusted difference amounts refer to unadjusted differences between the trading system generated valuations and the valuations assessed during the monthly IPV process.</p> <p>Any component of the individual difference amounts that were adjusted in the books and records of the institution for the relevant month end date shall not be reported.</p>