**EN**

**ANNEX V**

**MARKET BENCHMARKING PORTFOLIOS**

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# COMMON INSTRUCTIONS

An institution shall apply all of the following:

1. Unless explicitly specified otherwise in the portfolio description, all positions shall be booked 12 October 2017. Once positions have been booked, each portfolio shall age for the duration of the benchmarking exercise. Furthermore, calculations shall be done under the assumption that the institution does not take any action to manage the portfolio in any way during the entire period of the benchmarking exercise. Unless explicitly stated otherwise in the specifications for a particular portfolio, strike prices for option positions shall be determined relative to prices for the underlying as observed at market close on12 October 2017.
2. For the purpose of the pre-benchmarking exercise validation, the valuation of each portfolio shall be submitted to the institution's competent authority by 3 November 2017. The exact timing of the initial market valuation shall be 27 October 2017, 5.30 pm CET (4.30 pm GMT).

Initial Market Valuation (IMV) means the market value at the booking date plus the unrealised balance (i.e. profit or loss that has been made but not yet realized or it would be realized if the position is closed out (or “unwound”)) until the valuation date and time; i.e. MtM (12/10/2017) + {MtM (27/10/2017, 5:30 CET) – MtM (12/10/2017)}, where MtM stands for Mark to Market. Therefore, it is the market value of the portfolio at the valuation date and time.

1. The risks of the positions shall be calculated without taking into account the funding costs.
2. To the extent possible, counterparty credit risk shall be excluded when valuing the risks of the portfolios.
3. The 10-day 99% VaR shall be calculated on a daily basis. Stressed Value-at-Risk (‘sVaR’*)* and the Incremental Risk Charge (‘IRC’) may be calculated on a weekly basis. sVaR and IRC shall be based on end–of-day prices for each Friday in the time window of the benchmarking exercise.
4. For each portfolio, results in the base currency of the portfolio, as required in the table below, shall be provided.
5. For transactions that include long positions in Credit Default Swaps (‘CDS’), assume an immediate up-front fee is paid to enter the position as per the market conventions. The maturity date for all CDS in the exercise shall be treated as following conventional quarterly termination dates.
6. Additional specifications needed in order to carry out pricing calculations required for CDS positions shall be done in a way that is consistent with commonly used market standards and conventions.
7. The maturity date that ensures that the transaction is closest to the term-to-maturity specified shall be used.
8. For material details of the product specification that are not explicitly stated in this document, the assumptions that have been used, including day count convention, and the choice for a tradable and liquid instrument where permitted, shall be provided along with the results.
9. The abbreviations ATM, OTM and ITM refer to the relative position of the current or future price of a derivative's underlying asset with respect to the strike price of that derivative (‘moneyness’). ATM stands for ‘at the money’, OTM stands for ‘out of the money’, and ITM stands for ‘in the money’.
10. All options shall be treated as if they are traded over-the-counter (‘OTC’) unless explicitly specified otherwise in the portfolio.
11. The standard timing conventions for OTC options shall be followed (i.e. expiry dates are the business day following a non-trading day). The timing convention for options shall be as follows: the time to maturity for a *n*-month option shall be in *n* months. If options expire on a non-trading day, institutions shall adjust the expiration date per business day, in accordance with common market practices.
12. All OTC options shall be treated as follows:
* as American for single name equities and commodities;
* as European for equity indices, foreign exchange and swaptions.
1. For all options the premium from the initial market value calculations shall be excluded, so that options shall be considered as ‘*naked*’.
2. Regarding to the Correlation Trading Portfolio (CTP), IM stands for Risk Measures resulting from Internal Model calculations for CTP in accordance with Article 377 of Regulation (EU) No 575/2013. It is indicated as All Price Risk (APR) in Annex VI.
3. For the positions denominated in a common base currency but composed by one or more instruments denominated in a different currency, the Initial Market Valuation (‘IMV’) shall be converted in the common portfolio base currency using the appropriate foreign exchange (‘FX’) spot rate at the end of the booking date (12 October 2017). Profit and Loss results (‘P&L’), Risk and stressed measures (VaR, sVaR, IRC, APR) shall follow accordingly by using the corresponding and appropriate FX rate, if needs.
4. When booking all positions, institutions shall follow appropriate market conventions where not otherwise specified. In the following sections, ‘long’ means ‘buy’ and ‘short’ means ‘sell’. For CDS, ‘long’ means buy protection and ‘short’ mean sell protection. This follows from standard market practice.

1. When an instrument is subject to a corporate action including a call from the issuer, or a default or similar actions, institutions shall exclude it from the portfolio together with any related CDS or option.
2. ‘On-the-run’ referring to an Index Series, means the most liquid and tradable series of that specific index available in the market. Institutions shall communicate this choice along with the related results in the appropriate text cell in the templates.
3. The Euro Interbank Offered Rate (‘EURIBOR’) is the rate calculated by the European Money Markets Institute at different maturities for Euro interbank term deposits.
4. The London Interbank Offered Rate (‘LIBOR’) is the rate calculated by the Intercontinental Exchange at different maturities for interbank term deposits in different currencies.

# Section 1 : Non-Correlation Trading Portfolios

|  |  |  |  |
| --- | --- | --- | --- |
| **Portfolio number****Risk factor** | **Portfolios** | **Currency** | **Risk Metrics requested** |
| **Equity Portfolios** |
|  |  |  |  |
| 1Equity | **Bullish leveraged trade** * Long 100 contracts OTC Apple (AAPL US Equity) OTM\* 6-month call options (1 contract = 100 shares underlying)

*\* The strike price is out-of-the-money by 10% relative to the stock price at market close on 12 October 2017.* | USD | VaR and sVaR |
| 2Equity | **Volatility trade #1** * Short straddle 6-month ATM\* S&P 500 Index OTC options (30 contracts; 1 contract = 100 underlying)
* Long straddle 2-year ATM\* S&P 500 Index OTC options (30 contracts; 1 contract = 100 underlying)

*\* The strike price is based on the index level at NYSE at 4:30 pm New York on 12 October 2017.* | USD | VaR and sVaR |
| 3Equity | **Volatility trade #2** * Long 40 contracts of put options on FTSE 100 index (with a strike price that is 10% OTM\* based on the end-of-day index value), last trading date 13 April 2018, delivery date 16 April 2018 (1 contract = 10 underlying)
* Short 40 contracts of put options on FTSE 100 index (with a strike price that is 10% ITM\* based on the end-of-day index value), last trading date 13 April 2018, delivery date 16 April 2018 (1 contract = 10 underlying)

*\* The strike price is based on the index level at NYSE Liffe London market close on 12 October 2017.* | GBP | VaR and sVaR |
| 4Equity | **Equity spot and short call position (‘covered call’)**Long 50,000 equity shares Generali SPA (G IM Equity ISIN IT0000062072)at the stock price at market close on 12 October 2017. Sell 6-month Call option on Generali SPA (G IM Equity) for 50,000 equity shares with a strike price that is 10% above the price specified previously.  | EUR | VaR and sVaR |
| 5Equity | **Collar Strategy**Long 10,000 equity shares Sanofi (SAN FP Equity ISIN FR0000120578) at the stock price at market close on 12 October 2017.Sell 10% OTM 6-month Call and Buy 10% OTM 6-month Put for 10,000 equity shares Sanofi (SAN FP Equity) relative to the above specified price. | EUR | VaR and sVaR |
| 6Equity | **Long Strangle 12-month maturity**Buy 12-month 10% OTM Call on 10,000 equity shares Aviva Plc. (AV / LN Equity ISIN GB0002162385) relative to the stock price at market close on 12 October 2017.Buy 12-month 10% OTM Put for 10,000 equity shares Aviva Plc. (AV / LN Equity) relative to the stock price at market close on 12 October 2017 | GBP | VaR and sVaR |
| **Interest Rate** |
| 7IR | **Curve Sovereign trade** * Long EUR 5 million ISIN: IT0001174611 BTPS 6 ½ 1 November 2027
* Short EUR 2 million ISIN: ES00000121L2 SPGB 4.6 30 July 2019
* Short EUR 1 million ISIN: DE0001135499

DE-BUND 1 ½ 4 SEPT 2022 | EUR | VaR, sVaR and IRC |
| 8IR | **Interest rate swap** * Receive fixed rate and pay floating rate
* Fixed leg: receive annually
* Floating leg: 3-month Euribor rate, pay quarterly
* Notional: EUR 5 million
* Roll convention and calendar: standard
* Effective date: 12 October 2017 (i.e. rates to be used are those at the market close on 12 October 2017)
* Maturity date: 12 October 2027
 | EUR | VaR and sVaR |
|  |  |  |  |
| 9IR | **Interest rate swap USD**• Receive fixed rate and pay floating rate • Fixed leg: receive annually • Floating leg: 3-month USD Libor rate, pay quarterly • Notional: USD 5 million • Roll convention and calendar: standard • Effective date 12 October 2017 (i.e. rates to be used are those at the market close on 12 October 2017) • Maturity date: 12 October 2027 | USD | VaR and sVaR |
|  |  |  |  |
| **FX** |
| 10FX | **Covered FX call** ***Short EUR/USD and short put EUR call USD option**** Short 6-month EUR/USD forward contracts (i.e. long USD short EUR), cash-settled, with USD 20 million notional purchased at the EUR/USD ECB reference rate as of end of day 12 October 2017
* Short 6-month put EUR call USD option notional USD 40 million (i.e. short USD against EUR), cash-settled, with strike price corresponding to the six-month forward exchange rate as of end of day 12 October 2017
* Effective date: 12 October 2017
* Expiry date: 12 April 2018
* EUR/USD ECB reference rate
 | EUR | VaR and sVaR |
|  |  |  |  |
| 11FX | **Knock-out option** Vanilla option that ceases to exist if the underlying spot breaches a predetermined barrier before maturity, cash-settled.See details in Section 2.1 of this Annex. | EUR | VaR and sVaR |
| 12FX | **Double no touch option** Digital option that pays a predetermined amount if the spot does not touch any of the barriers during the life of the option, cash-settled. See details in Section 2.2 of this Annex. | EUR | VaR and sVaR |
| **Commodity** |
| 13Commodity | **Gold forwards position** Long 3,500,000 6-month OTC London Gold Forwards contracts (1 contract = 0.001 troy ounces, notional: 3,500 troy ounces)  Short 4,300,000 1-year OTC London Gold Forwards contracts (Notional: 4,300 troy ounces) | USD | VaR and sVaR |
| 14Commodity | **Short oil put options** Short 30 contracts of 6-month OTC WTI Crude Oil puts with strike = 12-month end-of-day forward price on 12 October 2017 (1 contract = 1000 barrels, total notional 30,000 barrels) | USD | VaR and sVaR |
| **Credit Spread** |
| 15Credit Spread | **Sovereign CDS portfolio*****Short protection via CDS on five countries**** Short EUR 2 million per single-name 5year CDS (total 10 million notional) on the following countries:
* effective date: 12 October 2017
* restructuring clause: FULL
* standard ISDA doc clauses apply as following current market conventions

|  |  |
| --- | --- |
| Country | currency |
| Italy | USD |
| UK | USD |
| Germany | USD |
| France | USD |
| US | EUR |

 | EUR | VaR, sVaR and IRC |
| 16Credit Spread | **Sovereign bond/CDS portfolio*** Long EUR 2 million per single-name 5 year CDS (total 10 million notional) on the following countries: Italy, UK, Germany, France, US as in portfolio 15
* Long EUR 2 million per single-name 5 year bonds (total 10 million notional) on the following countries: Italy, UK, Germany, France, US (as identified in the following table)
* effective date 12 October 2017
* to convert the notional of the non-euro bonds use the FX spot as at end of day 12 October 2017

|  |
| --- |
|  |
| Identifier | Description |
| IT0004848831 | BTP 5 ½ 1 NOV 2022 |
| DE0001135499 | BUND 1 ½ 4 SEPT 2022 |
| GB00B7L9SL19 | GILT 1 ¾ 7 SEPT 2022 |
|  FR0011337880 | OAT 2 ¼ 25 OCT 2022 |
|  US912828M490 | TBOND 1 7/8 31 OCT 2022 |

 | EUR | VaR, sVaR and IRC |
| 17Credit Spread | **Sector concentration portfolio** ***Short protection via CDS on 6 insurance conglomerates**** Short 1 million notional per single-name 5 year CDS (total EUR  6 million notional) on the following companies
* effective date 12 October 2017

|  |  |  |
| --- | --- | --- |
| Name | Currency | Doc clause |
| *Generali SpA* | EUR | MM |
| *Allianz* | EUR | MM |
| *AXA* | EUR | MM |
| *Aegon* | EUR | MM |
| *Aviva* | EUR | MM |
| *Swiss Reinsurance* | EUR | MM |

 | EUR | VaR, sVaR and IRC |
| 18Credit Spread | **Diversified index portfolio*****Short protection via CDS index***Short EUR 10 million notional iTraxx 5-year Europe SF index ,on-the-run Serieseffective date 12 October 2017 | EUR | VaR, sVaR and IRC |
| 19Credit Spread | **Diversified index portfolio (higher concentration)*****Short protection via CDS index**** Short EUR 5 million notional iTraxx 5-year Europe SF index ,on-the-run Series,
* Short EUR 5 million notional (equally weighted*\**) on the following five financials belonging to the iTraxx 5-year Europe SF index ,on-the-run Series,

|  |  |  |
| --- | --- | --- |
| CDS name | Currency | Doc clause |
| *Allianz SE CDS EUR SR 5Y* | EUR | MM |
| *AXA CDS EUR SR 5Y* | EUR | MM |
| *Generali Assicurazioni CDS EUR SR 5Y* | EUR | MM |
| *AEGON N.V. CDS EUR SR 5Y* | EUR | MM |
| *Aviva Plc CDS EUR SR 5Y* | EUR | MM |

Effective date: 12 October 2017*\* Each single name CDS shall have a notional of EUR 1 million.* | EUR | VaR, sVaR and IRC |
| 20Credit Spread | **Diversified corporate portfolio** ***Short protection via CDS on 10 European corporates**** Short EUR 1 million notional per single-name 5 year CDS (total EUR 10 million notional) on the following 10 companies. Effective date: 12 October 2017

|  |  |
| --- | --- |
| Name | Currency |
| *Total SA* | EUR |
| *Telefonica SA* | EUR |
| *Siemens* | EUR |
| *Royal Dutch Shell* | EUR |
| *Unilever* | EUR |
| *Airbus Group* | EUR |
| *Bayer AG* | EUR |
| *Vodafone* | EUR |
| *Enel SpA* | EUR |
| *Roche Holdings Inc.* | EUR |

 | EUR | VaR, sVaR and IRC |
|  |  |  |  |
| 21Credit Spread | **CDS bond basis*** Long bonds EUR 2 million per single-name 5 year bonds on 3 EU Corporates.

|  |
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|  |
| ISIN | Security name |
| XS0452187916 | ENEL SPA 5 14 SEPT 2022  |
| -XS0304458051 | VODAFONE GROUP PLC 5 3/8 6 JUNE 2022 |
| FR0011655612 | AXA SA 2 5/8 19 JUNE 2022 |
|  |

* Long protection via CDS on the same names (EUR 2 million per single-name 5 year).

|  |  |  |
| --- | --- | --- |
| Name | Currency | Doc clause |
| *Enel SpA* | EUR | MM |
| *Vodafone Group PLC* | EUR | MM |
| *AXA* | EUR | MM |

 | EUR | VaR, sVaR and IRC |
|  |  |  |  |
|  |  |  |  |
| **All-in portfolios** |
|  |  |  |  |
| 22 | **All-in portfolio (1)** A portfolio made of the portfolios in rows 1 to 21 | EUR | VaR, sVaR and IRC |
| 23 | **All-in Equity portfolio (2)** A portfolio made of the equity portfolios in rows 1 to 6 | EUR | VaR and sVaR |
| 24 | **All-in IR portfolio (3)** A portfolio made of the interest rate portfolios in rows 7 to 9 | EUR | VaR and sVaR |
| 25 | **All-in FX portfolio (4)** A portfolio made of the FX portfolios in rows 10 to 12 | EUR | VaR and sVaR |
| 26 | **All-in Commodity portfolio (5)** A portfolio made of the commodity portfolios in rows 13 and 14 | EUR | VaR and sVaR |
| 27 | **All-in Credit Spread portfolio (6)** A portfolio made of the credit spread portfolios in rows 15 to 21 | EUR | VaR, sVaR and IRC |

# Section 2: Details for portfolios

# 2.1 Details for portfolio n. 11: Knock-out currency option

Trade date: 12 October 2017

Buyer: Participating institution (Party B)

Seller: Client (Party A)

Currency option style: European

Currency option type: EUR Call USD Put

Call currency & call currency amount: EUR 15,000,000.00

Put currency & put currency amount: Equivalent amount of EUR 15,000,000.00 based on EUR/USD exchange rate on 12 October 2017, New York USA closing time

Strike price: EUR/USD exchange rate on 12 October 2017, New York USA closing time

Expiration date: 12 October 2018

Expiration time: 10:00 a.m. New York time

Automatic exercise: Applicable

Settlement: Non-Deliverable

Settlement date: 19 October 2018

Barrier event: Applicable

Event type: Knock-out

Spot exchange rate direction: Greater than or equal to the barrier level

Initial spot price: value of EUR/USD on 12 October 2017

Barrier level: 120% of the initial spot price (USD/EUR)

Event period start date and time: Trade date at the time of execution hereof

Event period end date and time: Expiration date at the Expiration Time

# 2.2 Details for portfolio n. 12: Double no touch binary currency option

Trade Date: 12 October 2017

Buyer: Participating institution (Party B)

Seller: Client [Party A]

Currency option style: Binary

Expiration date: 12 October 2018

Expiration time: 10:00 AM New York USA time

Automatic exercise: Applicable

Settlement: Non-deliverable

Settlement amount: EUR 1, 000,000.00

Settlement date: 19 October 2018

Barrier event: Applicable

Event type: Double No-Touch Binary

Initial spot price: Level of USD/EUR on 12 October 2017

Upper barrier level: 120% of the initial spot price (USD/EUR)

Lower barrier level: 80% of the initial spot price (USD/EUR)

Event period start date and time: Trade date at the time of execution hereof

Event period end date and time: Expiration date at the expiration time

Business day convention: Following

# Section 3: Correlation trading portfolios (CTPs)

|  |  |  |  |
| --- | --- | --- | --- |
| **Portfolio number****Risk factor** |  **Portfolios** | **Currency** | **Risk Metrics requested** |
| 28CTP | Long position in spread hedged equity tranche of iTraxx Europe index on-the-run Series (attachment point: 0%, detachment point: 3%) | EUR | VaR, sVaR, and APR for CTP |
| 29CTP | Long position in spread hedged mezzanine tranche of iTraxx Europe index on-the-run Series (attachment point: 7%, detachment point: 10%) | EUR | VaR, sVaR,and APR for CTP |
| 30CTP | Short position in spread hedged super senior tranche of iTraxx Europe index on-the-run Series (attachment point: 30%, detachment point: 100%) | EUR | VaR, sVaR and APR for CTP |

These portfolios contain positions in index tranches referencing the iTraxx Europe index (on the run Series) 5 years.

* Notional is EUR 10 million for each tranche.
* The contractual maturity is 5 years.
* The running spread that shall be used is 300 bps for the tranche in portfolio 28, 100 bps for the tranche in portfolio 29, and 30 bps for the tranche in portfolio 30.

The portfolios are constructed by hedging each index tranche with the iTraxx Europe index (on-the-run Series) 5 years to achieve zero CS01 as of booking date (‘spread hedged’). No further re-hedging is required.