**Interest Rate Risk on Derivative Instruments: CRR Article 331**

**Guidance on completion of template:**

This template must be completed, together with the CRR permission application form, by a firm applying for CRR Article 331 permission.

Separate templates must be completed for each firm which is applying to the permission or each set of instruments for which a net sensitivity position, weighted by maturity, is computed.

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| **Application Details** | | |
|  | **Signature** | |
| Attestation by a Significant Influence Function (SIF) of compliance with the relevant CRR requirements. |  | |
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| **Item** | | **Summary Information** |
| Description of the current methodology used for interest- rate risk on derivative instruments covered in Articles 328 to 330. | |  |
| Description of the sensitivity models used to calculate interest- rate risk under Article 331. | |  |
| Product scope of the requested permission – please indicate the instruments for which net sensitivity positions are used and the currencies in which those positions are denominated. | |  |
| For the product scope requested, confirm that the interest- rate risk is managed on a discounted -cash -flow basis. | |  |
| For the product scope requested, briefly indicate any growth plans for the exposures. | |  |
| Capital impact of changing the calculation methodology from the existing approach (i.e. the capital impact of applying Article 331) and total capital and market risk capital held at the same date. | |  |
| Provide worked examples of capital calculation under the current methodology and the new (Article 331) methodology for a test portfolio composed of:   * Long 100,000 1Y ATM equity index call option * Short 100,000 1Y ATM equity index put option * Long 100,000 2Y ATM equity index call option * Short 100,000 5Y ATM equity index call option * Short 3M equity index futures in sufficient quantity to hedge the equity delta of the options   Assume that the base index level is 100 and that the equity index volatility is 20%. Please use the interest rate curve included for the purposes of calculating the interest rate exposure. All options are European style exercise. | |  |

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| **CRR Standards** | | |
| **CRR Standard** | **Meets Standard? (Yes/No)** | **Firm Analysis**  *Please demonstrate using examples where appropriate how the minimum standards are met* |
| Sensitivity models generate positions which have the same sensitivity to interest- rate changes as the underlying cash flows. |  |  |
| Sensitivities are assessed with reference to independent movements in sample rates across the yield curve, with at least one sensitivity point in each of the maturity bands set out in Table 2 in Article 339. |  |  |
| Sensitivities are appropriate to produce accurate valuation changes based on the assumed interest rate changes set out in Table 2 of Article 339. |  |  |