



Interest rate on derivative instruments - CRR Article 331

The Capital Requirement Directive (2013/36/EU)(CRD) and Capital Requirements Regulation (575/2013)(CRR) – jointly ‘CRD IV’, has adopted an approach that requires pricing models to be used to calculate the positions of derivatives and bonds with regard to changes in interest rates set out in CRR Article 339 (Table 2).

Firms intending to use their own sensitivity positions for the purposes of the standardised approach for derivatives and bonds will need to provide the PRA with confirmation that they meet the minimum standards for each set of instruments for which a net weighted sensitivity position is computed. Firms will need to evidence the accuracy of both the sensitivities for each type of instrument and the calculation of the weighted net position.

Firms should read CRR Article 331 before applying for this CRR Permission.

The template and CRR Permission application form must be completed separately for each entity, or each set of instruments, for which a net sensitivity position is computed. Where positions differ only in the currency in which they are denominated these may be combined in one application form.

Key Resources

 [CRR Permission application form](#)

 [Interest Rate on Derivative Instruments: CRR Article 331](#) – template to be completed together with the CRR Permission application form

February 2015