



ANNEX XXX – Market risk standardized and internal approach disclosure tables and templates: Instructions

1. This annex includes the instructions that institutions shall apply when disclosing the information included in the market risk disclosure tables and templates as presented in Annex XXIX to this Implementing Regulation, in accordance with Articles 435, 445 and 455 of Regulation (EU) 575/2013¹ (“CRR”).

Table UK MRA - Qualitative disclosure requirements related to market risk: Free format text boxes

2. Institutions shall apply the instructions provided below in this Annex in order to complete table UK MRA as presented in Annex XXIX to this Implementing Regulation, in application of points (a) to (d) of Article 435(1) CRR, with regards to market risk.

Legal references and instructions	
Row number	Explanation
(a)	<p>When disclosing information on the risk management objectives and policies to manage market risk in accordance with points (a) and (d) of Article 435 (1) CRR, institutions shall include:</p> <ul style="list-style-type: none"> - an explanation of their management’s strategic objectives in undertaking trading activities, - the processes implemented to identify, measure, monitor and control the institution’s market risks, - the policies for hedging and mitigating risk, - strategies and processes for monitoring the continuing effectiveness of hedges.
(b)	<p>When disclosing information on the structure and organisation of the market risk management function in accordance with point (b) of Article 435 (1) CRR, institutions shall include:</p> <ul style="list-style-type: none"> - a description of the market risk governance structure established to implement the strategies and processes of the institution discussed in row (a) above, - a description of the relationships and the communication mechanisms between the different parties involved in market risk management.
(c)	<p>When disclosing information on the scope and nature of market risk disclosure and measurement systems, in accordance with point (c) of Article</p>

¹ REGULATION (EU) 2019/876 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012 (OJ L 150/1, 7.6.2019, p.193, 198, 206)

	435 (1) CRR, institutions shall provide a description of the scope and nature of market risk disclosure and the measurement systems.
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Template UK MR1 - Market risk under the standardised approach: fixed format

3. Institutions shall apply the instructions provided below in this Annex in order to complete template UK MR1 as presented in Annex XXIX to this Implementing Regulation, in application of Article 445 CRR.

Legal references and instructions	
Row number	Explanation
<i>Outright products</i>	
{1}	<i>Interest rate risk (general and specific)</i> General and specific risk of positions in traded debt instruments in the trading book, in accordance with Chapter 2 of Title IV of Part Three CRR, excluding specific risk related to securitization, and which are not optional.
{2}	<i>Equity risk (general and specific)</i> General and specific risk of positions in equities in the trading book, in accordance with Chapter 2 of Title IV of Part Three CRR, excluding optional instruments.
{3}	<i>Foreign exchange risk</i> Risk of positions in foreign exchange in accordance with Chapter 3 of Title IV of Part Three CRR, excluding optional instruments.
{4}	<i>Commodity risk</i> Risk of positions in commodities in accordance with Chapter 4 of Title IV of Part Three CRR, excluding optional instruments.
<i>Options</i>	
{5}	<i>Simplified approach</i> Options or warrants as defined in Article 329 (3) of Chapter 2 of Title IV of Part Three CRR for which Institutions calculate the own funds requirements related to the non-delta risk using the simplified approach ² .

² As defined in Amended COMMISSION DELEGATED REGULATION (EU) No 528/2014 of 12 March 2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for non-delta risk of options in the standardised market risk approach (OJ L 148/29, 20.5.2014, p. 2-3)

{6}	<i>Delta plus approach</i> Options or warrants in the trading book as defined in Article 329 (3) of Chapter 2 of Title IV of Part Three CRR for which Institutions calculate the own funds requirements related to the non-delta risk using the delta plus approach ³ .
{7}	<i>Scenario approach</i> Options or warrants in the trading book as defined in Article 329 (3) of Chapter 2 of Title IV of Part Three CRR for which Institutions calculate the own funds requirements related to the non-delta risk using the scenario approach ⁴ .
{8}	<i>Securitisation (specific risk)</i> Specific risk of securitization positions in the trading book as defined in Articles 337 and 338 of Chapter 2 of Title IV of Part Three CRR.
{9}	Total Sum of rows 1 to 8
Column letter	Explanation
{a}	<i>RWEAs</i> Disclosure of risk weighted exposures referred to in point (d) of Article 438 CRR, computed as the value in column b multiplied by 12.5 in accordance with point (b) of Article 92 (4) CRR.

Table UK MRB: Qualitative disclosure requirements for institutions using the internal Market Risk Models: free text format

4. Institutions shall apply the instructions provided below in this Annex in order to complete table UK MRB as presented in Annex XXIX to this Implementing Regulation, in application of points (a), (b), (c) and (f) of Article 455 CRR.

Legal references and instructions	
Row number	Explanation

³ As defined in Amended COMMISSION DELEGATED REGULATION (EU) No 528/2014 of 12 March 2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for non-delta risk of options in the standardised market risk approach (OJ L 148/29, 20.5.2014, p. 3-5)

⁴ As defined in Amended COMMISSION DELEGATED REGULATION (EU) No 528/2014 of 12 March 2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for non-delta risk of options in the standardised market risk approach (OJ L 148/29, 20.5.2014, p. 5-6s)

{a}	<p>When disclosing information in accordance with point (c) of Article 455 CRR, on the extent and methodologies for compliance with the requirements of Article 104 CRR, institutions shall include:</p> <ul style="list-style-type: none"> - a description of the procedures and systems implemented for the assurance of tradability of the positions included in the trading book in order to comply with the requirements of Article 104 CRR, - and a description of the methodology used to ensure that the policies and procedures implemented for the overall management of the trading book are appropriate.
{b}	<p>When disclosing information in accordance with point (c) of Article 455 CRR, on the extent and methodologies for compliance with the requirements of Article 105 CRR, institutions shall include:</p> <ul style="list-style-type: none"> - A description of the valuation methodologies, including an explanation of how far mark-to-market and mark-to-model methodologies are used; - Description of the independent price verification process; - Procedures for valuation adjustments or reserves (including a description of the process and the methodology for valuing trading positions by type of instrument).
{A} Institutions using VaR models and SVaR models , as defined in Article 365 CRR	
{a}	<p>When disclosing information in accordance with point (a)(i) of Article 455 and with point (b) of Article 455 CRR, institutions shall include a description of activities and risks covered by the VaR and SVaR models, specifying how they are distributed in portfolios/sub-portfolios for which the competent authority has granted permission.</p>
{b}	<p>When disclosing Information required in point (b) of Article 455 CRR, institutions shall include:</p> <ul style="list-style-type: none"> - a description of the scope of application of the VaR and SVaR models for which the competent authority has granted permission, - when relevant, information on which entities in the group use these models and how the models represent all the models used at the group level, as well as the percentage of own funds requirements covered by the models /or if the same models of VaR/SVaR are used for all entities with market risk exposure.
Information disclosed in accordance with point (a)(i) of Article 455 CRR on the characteristics of the model used shall include:	
{c}	A general description of regulatory VaR and SVaR models
{d}	A discussion of the main differences, if any, between the models used for management purposes and the model used for regulatory purposes (10 day 99%) for VaR and SVaR models.

<p>{e}</p> <p>{i}</p> <p>{ii}</p> <p>{iii}</p> <p>{iv}</p> <p>{v}</p> <p>{vi}</p>	<p>For VaR models:</p> <p>The data updating frequency;</p> <p>The length of the data period that is used to calibrate the model. A description of the weighting scheme that is used (if any);</p> <p>A description on how the institutions determines the 10-day holding period (for example, does it scale up a 1-day VaR by the square root of 10, or does it directly model the 10-day VaR?);</p> <p>A description of the aggregation approach, which is the method for aggregating the specific and general risk (i.e. do the institutions calculate the specific charge as a stand-alone charge by using a different method than the one used to calculate the general risk or do the institutions use a single model that diversifies general and specific risk?);</p> <p>Valuation approach (full revaluation or use of approximations);</p> <p>Whether, when simulating potential movements in risk factors, absolute or relative returns (or a mixed approach) are used (i.e. proportional change in prices or rates or absolute change in prices or rates).</p>
<p>{f}</p> <p>{i}</p> <p>{ii}</p> <p>{iii}</p>	<p>For SVaR models:</p> <p>A description on how the 10-day holding period is determined. For example, does the institution scale up a 1-day VaR by the square root of 10, or does it directly model the 10-day VaR? If the approach is the same as for the VaR models, the institutions may confirm this and refer to disclosure (e) (iii) above;</p> <p>A description of the stress period chosen by the institution and the rationale for this choice;</p> <p>A description of the valuation approach (full revaluation or use of approximations).</p>
<p>{g}</p>	<p>When disclosing information in accordance with point (a)(iii) of Article 455 CRR, institutions shall include a description of stress testing applied to the modelling parameters consistent with information disclosed according to requirement {A}{a} above (main scenarios developed to capture the characteristics of the portfolios to which the VaR and SVaR models apply at the group level).</p>
<p>{h}</p>	<p>When disclosing information in accordance with point (a)(iv) of Article 455 CRR, institutions shall disclose a description of the approach used for backtesting/validating the accuracy and internal consistency of data and parameters used for the internal models and modelling processes.</p>
<p>{B}</p>	<p>Institutions using internal models to measure the own funds requirements for the incremental default and migration risk (IRC) in</p>

	accordance with Sections 3 and 4 of Chapter 5 of Title IV of Part Three CRR
{a}	When disclosing information in accordance with point (a)(ii) of Article 455 and with point (b) of Article 455 CRR, institutions shall include a description of risks covered by the IRC models, specifying how they are distributed in portfolios/sub-portfolios for which the competent authority has granted permission.
{b}	Information required in point (b) of Article 455 CRR must include a description of the scope of application of the IRC model for which the competent authority has granted permission, and shall be complemented by information on which entities in the group use these models and how the models represent all the models used at the group level, including the percentage of own funds requirements covered by the models /or if the same models of IRC is used for all entities with market risk exposure
	Information disclosed in accordance with point (a)(ii) of Article 455 CRR on the characteristics of the IRC models used shall include:
{c}	A general description of the methodology used for internal models for incremental default and migration risk, including:
{i}	Information about the overall modelling approach (notably, the use of spread-based models or transition matrix-based models);
{ii}	Information on the calibration of the transition matrix;
{iii}	Information about correlation assumptions;
{d}	Information disclosed must include a description of the approach used to determine liquidity horizons;
{e}	Information disclosed must include a description of the methodology used to achieve a capital assessment that is consistent with the required soundness standard;
{f}	Information disclosed must include a description of the approach used in the validation of the models.
{g}	In accordance with point (a)(iii) of Article 455 CRR information disclosed must include a description of the stress testing applied to the modelling parameters consistent with information disclosed in accordance with requirement {B}{a} above (main scenarios developed to capture the characteristics of the portfolios to which the IRC models apply at the group level).
{h}	In accordance with point (a)(iv) of Article 455 CRR institutions must disclose a description of the approach used for backtesting/validating the accuracy and internal consistency of data and parameters used for the IRC internal models and modelling processes

{C}	Institutions using internal models to measure own funds requirements for correlation trading portfolio (comprehensive risk measure) in accordance with Section 5 of Chapter 5 of Title IV of Part Three CRR
{a}	When disclosing information in accordance with point (a)(ii) of Article 455 and with point (b) of Article 455 CRR, institutions shall include a description of risks covered by the comprehensive risk measure models, specifying how they are distributed in portfolios/sub-portfolios for which the competent authority has granted permission.
{b}	Information required in point (b) of Article 455 CRR must include a description of the scope of application of the comprehensive risk measure models for which the competent authority has granted permission, shall be complemented by information on which entities in the group use these models and how the models represent all the models used at the group level, including the percentage of own funds requirements covered by the models /or if the same models of IRC is used for all entities with market risk exposure
Information disclosed in accordance with point (a)(ii) of Article 455 CRR on the characteristics of the comprehensive risk measure models used shall include:	
{c}	A general description of the methodology used for correlation trading, including:
{i}	Information about the overall modelling approach (choice of model correlation between default/migrations and spread: (i) separate but correlated stochastic processes driving migration/default and spread movement; (ii) spread changes driving migration/default; or (iii) default/migrations driving spread changes);
{ii}	Information used to calibrate the parameters of the base correlation: LGD pricing of the tranches (constant or stochastic);
{iii}	Information on the choice of whether to age positions (profits and losses based on the simulated market movement in the model calculated based on the time to expiry of each position at the end of the 1-year capital horizon or using their time to expiry at the calculation date);
{d}	Information disclosed must include a description of the approach used to determine liquidity horizons.
{e}	Information disclosed must include a description of the methodology used to achieve a capital assessment that is consistent with the required soundness standard.
{f}	Information disclosed must include a description of the approach used in the validation of the models.

{g }	In accordance with point (a)(iii) of Article 455 CRR information disclosed must include a description of the description of stress testing applied to the modelling parameters (main scenarios developed to capture the characteristics of the portfolios to which the comprehensive risk measure models apply at the group level).
{h}	In accordance with point (a)(iv) of Article 455 CRR information disclosed must include a description of the approach used for backtesting/validating the accuracy and internal consistency of data and parameters used for the comprehensive risk measure internal models and modelling processes.
UK {i}	Institutions must complement information disclosed regarding the internal models for the incremental default and migration risk and for correlation trading portfolios with the weighted average liquidity horizon for sub-portfolios covered in accordance with point (f) of Article 455 CRR, consistent with the description provided in accordance with rows (B) (a) and (d) and (C) (a) and (d)) of table UK MRB.

Template UK MR2-A - Market risk under the internal Model Approach (IMA): fixed format

5. Institutions shall apply the instructions provided below in this Annex in order to complete template UK MR2-A as presented in Annex XXIX to this Implementing Regulation, in application of point (e) of Article 455 CRR.

Legal references and instructions	
Row number	Explanation
{1}	VaR (higher of values a and b)
{a}	Previous day's value at-risk number (VaR_{t-1}) calculated in accordance with Article 365 (1) CRR.
{b}	Average of the daily value at-risk numbers calculated in accordance with Article 365(1) CRR, on each of the preceding 60 business days (VaR_{avg}) x multiplied by the multiplication factor (mc) in accordance with Article 366 CRR.
{2}	SVaR (higher of values a and b)
{a}	Latest available stressed-value-at-risk number ($sVaR_{t-1}$) calculated in accordance with Article 365(2) CRR.
{b}	Average of the stressed value-at-risk numbers calculated in the manner and frequency specified in Article 365(2) CRR during the preceding sixty business days ($sVaR_{avg}$), multiplied by the multiplication factor (ms) in accordance with Article 366 CRR.

{3}	IRC (higher of values a and b)
{a}	Most recent risk number for the incremental default and migration risk calculated in accordance with Section 3 of Chapter 5 of Title IV of Part Three CRR.
{b}	Average of risk number for the incremental default and migration risk calculated in accordance with Section 3 of Chapter 5 of Title IV of Part Three CRR over the preceding 12 weeks.
{4}	Comprehensive risk measure (higher of values a, b and c)
{a}	Most recent risk number for the correlation trading portfolio calculated in accordance with Section 5 of Chapter 5 of Title IV of Part Three CRR.
{b}	Average of the risk number for the correlation trading portfolio calculated in accordance with Section 5 of Chapter 5 of Title IV of Part Three CRR, over the preceding 12-weeks.
{c}	8 % of the own funds requirement that would, at the time of calculation of the most recent risk number referred to in row (a), be calculated in accordance with Article 338 (4) CRR, for all those positions incorporated into the internal model for the correlation trading portfolio.
{5}	Other Other refers to additional own funds required by supervisors for institutions using the internal model approach for market risk (e.g. additional capital according to Article 101 of Directive 2013/36/UE).
{6}	Total (1+2+3+ 4+5)
Column letter	Explanation
{a}	<i>RWEAs</i> Disclosure of risk weighted exposures referred to in point (d) of Article 438 CRR, computed as the value in column b multiplied by 12.5 in accordance with point (b) of Article 92 (4) CRR.
{b}	Own funds requirements for market risk as determined in Chapter 5 of Title IV of Part Three CRR in accordance with instructions in rows {1} to {4} above.

Template UK MR2-B - RWA flow statements of market risk exposures under the IMA: fixed format

- Institutions shall apply the instructions provided below in this Annex in order to complete template UK MR2-B as presented in Annex XXIX to this Implementing Regulation, in application of point (h) of Article 438 CRR.

7. Institutions shall disclose the flows of RWEA as the changes between the risk-weighted exposure amounts at the end of the disclosure reference date (as specified below in row 8) and the risk-weighted exposure amounts at end of the prior disclosure reference date (as specified below in row 1; in the case of quarterly disclosures, end-of-quarter prior to the quarter of the disclosure reference date). Institutions may complement their Pillar 3 disclosures by disclosing the same information for the three previous quarters.
8. Institutions shall explain in the accompanying narrative to the template the figures disclosed in row 8 of the template, i.e. any other drivers that contribute significantly to RWEA variations.

Legal references and instructions	
Row number	Explanation
{1}	<p>RWAs at previous period end</p> <p>Risk weighted exposure amounts at the end of the previous period derived from the sum of own funds requirements in accordance with Article 364 CRR with the exception of point (a) of Article 364 (2) CRR, and any additional own funds required by supervisors for institutions using the internal model approach for market risk, multiplied by 12.5 in accordance with point (b) of Article 92 (4) CRR.</p>
{2}	<p><i>Movement in risk levels</i></p> <p>Changes due to position changes, other than those driven by regulatory policy changes.</p>
{3}	<p><i>Model changes</i></p> <p>Significant updates to the model to reflect recent experience (e.g. recalibration), as well as significant changes in model scope. If more than one model update has taken place, additional rows could be necessary.</p>
{4}	<p><i>Methodology and policy</i></p> <p>Methodology changes to the calculations driven by regulatory policy changes.</p>
{5}	<p><i>Acquisitions and disposals</i></p> <p>Modifications due to acquisition or disposal of business/product lines or entities.</p>
{6}	<p><i>Foreign exchange movements</i></p> <p>Changes arising from foreign currency translation movements.</p>
{7}	<p><i>Other</i></p> <p>This category shall be used to capture changes that cannot be attributed to any category of drivers included in rows 2 to 6, and the explanations</p>

	regarding the drivers of these changes must be provided in the accompanying narrative.
{8}	RWAs at the end of the disclosure period Risk weighted exposure amounts at the end of the period derived from the sum of own funds requirements in accordance with Article 364 CRR with the exception of point(a) of Article 364 (2) CRR, and any additional own funds required by supervisors for institutions using the internal model approach for market risk, multiplied by 12.5 in accordance with point (b) of Article 92 (4) CRR.
{1a/1b}/ {8a/b}	Rows 1a/1b and 8a/8b should be used when the RWA/own funds requirement for any of the columns a to d is the 60-day average (for VaR and SVaR) or the 12-week average measure or the floor measure (for IRC and Comprehensive risk measure) and not the RWA/own funds requirement at the end of the period (previous or disclosure) in accordance with points (a)(i) and (b)(i) of Article 364 (1), with point (b)(i) of Article 364(2) and with point (a) of Article 364(3) CRR. The amount disclosed in additional rows 1a and 8b should be the difference between the final derived RWEA on average measures, as disclosed in rows 1 or 8, and the measures derived directly from the models disclosed in rows 1b/8a. In these cases, additional rows for regulatory adjustment (1a and 8b) ensure that the institution is able to provide the source of changes in RWA/own funds requirement on the basis of the last RWA/own funds requirement measure at the end of the period (previous or disclosure), disclosed in rows 1b and 8a. In this case, rows 2, 3, 4, 5, 6, 7 reconcile the value in row 1b and 8a ⁵ .
Column letter	Explanation
{a}	VaR Key drivers of changes over the period in accordance with row {2} to {7} (on the basis of a reasonable estimation), of the value at-risk RWAs derived from the own funds requirements in accordance with point (a) of Article 364 (1) CRR.
{b}	SVaR Key drivers of changes over the period in accordance with row {2} to {7} (on the basis of a reasonable estimation), of the stressed value at-risk RWAs derived from the own funds requirements in accordance with point (b) of Article 364 (1) CRR, and any additional own funds required by supervisors.
{c}	IRC Key drivers of changes over the period in accordance with row {2} to {7} (on the basis of a reasonable estimation), of the incremental default and migration RWAs derived from the own funds requirements in accordance

⁵ See the illustration in the consolidated Basel standard in DIS 99.4:

https://www.bis.org/basel_framework/chapter/DIS/99.htm?inforce=20191215

	with point (b) of Article 364 (2) CRR, and any additional own funds required by supervisors.
{d}	<i>Comprehensive risk measure</i> Key drivers of changes over the period in accordance with row {2} to {7} (on the basis of a reasonable estimation), of the correlation trading portfolio RWAs derived from the own funds requirements in accordance with Article 364 (3) CRR, and any additional own funds required by supervisors.
{e}	<i>Other</i> Key drivers of changes over the period in accordance with row {2} to {7} of RWAs derived
{f}	Total RWAs (a + b + c + d + e)
{g }	Total own funds requirements (f x 8%)

Template UK MR3 - IMA values for trading portfolios: fixed format

- Institutions shall apply the instructions provided below in this Annex in order to complete template UK MR3 as presented in Annex XXIX to this Implementing Regulation, in application of point (d) of Article 455 CRR

Legal references and instructions	
Row number	Explanation
	VaR (10 day 99%) Value at-risk measure in accordance with Article 365 (1) CRR. The amounts do not include additional own fund requirements on supervisor's decision (related to the multiplier, for instance).
{1}to{4}	Highest/Lowest/mean of daily value at-risk measures over the period and period end daily value at-risk measure.
	SVaR (10 day 99%) Stressed Value at-risk measure in accordance with Article 365 (2) CRR. The amounts do not include additional own fund requirements on supervisor's decision (multiplier).
{5}to{8}	Highest/Lowest/mean of stressed daily value at-risk measure over the period and period end daily value at-risk measure.
	IRC (99.9%)

	Incremental default and migration risk value in accordance with Section 3 of Chapter 5 of Title IV of Part Three CRR. The amounts do not include additional own fund requirements on supervisor's decision (multiplier).
{9}to{12}	Highest/Lowest/mean of IRC measures over the period and period end daily value at-risk measure.
	Comprehensive risk measure (99.9%) Correlation trading portfolios value in accordance with Section 5 of Chapter 5 of Title IV of Part Three CRR.
{13}to{16}	Highest/Lowest/mean of correlation trading portfolios measures over the period and period end daily value at-risk measure.
Column letter	Explanation
{a}	Highest/lowest/mean values over the disclosure period and end of period values corresponding to rows {1} to {16}.

Template UK MR4 - Comparison of VaR estimates with gains/losses: Flexible table

10. In application of point (g) of Article 455 CRR institutions shall disclose a chart as presented in Annex XXIX to this Implementing Regulation, including the information indicated in this table.

Legal references and instructions	
Explanation	
	Information disclosed in accordance with point (g) of Article 455 CRR, must reflect the risk measure used for regulatory purposes in accordance with Article 365 (1) CRR, calibrated to a 1-day holding period to compare with the 99% confidence level with its trading outcomes.
	<p>Institutions must present an analysis of 'outliers' (backtesting exceptions as per Article 366 CRR) in backtested results, specifying the dates and the corresponding excess (VaR-P&L). The analysis should at least specify the key drivers of the exceptions.</p> <p>Institutions shall disclose similar comparisons for actual P&L and hypothetical P&L (i.e. on the basis of hypothetical changes in portfolio values that would occur if end-of-day positions remain unchanged) as per Article 366 CRR.</p> <p>Institutions shall complement this information with information about actual gains/losses, and especially to clarify whether they include</p>

	reserves and, if not, how reserves are integrated into the backtesting process.
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FOR CONSULTATION ONLY