

Bank of England PRA

Annex XXXX

Credit valuation adjustment (CVA) disclosure requirements – Instructions

Institutions are requested to report information on capital charges for CVA under the current framework. The disclosure requirements under this section are:

UKB CVAA: General qualitative disclosure requirements related to CVA

1. The purpose of this table is to provide a description of the risk management objectives and policies for CVA risk.
2. This table has a flexible format. In case that institutions apply a different format, they shall provide information comparable with the information required in this table, with a similar level of granularity and including all the substance information required.

Institutions must describe their risk management objectives and policies for CVA risk as follows:

| Row letter | Explanation |
|------------|--|
| a | An explanation and/or a description of the bank's processes implemented to identify, measure, monitor and control the bank's CVA risks, including policies for hedging CVA risk and the processes for monitoring the continuing effectiveness of hedges. |
| b | Whether the bank is eligible and has chosen to set its capital requirement for CVA at 100% of the bank's capital requirement for counterparty credit risk as applicable under Chapter 6 of the Credit Valuation Adjustment Risk Part of the PRA Rulebook |

UKB CVA1: The reduced basic approach for CVA (BA-CVA)

1. The template should be completed with only the amounts obtained from the netting sets which are under the reduced BA-CVA.
2. The purpose of this template is to provide the components used for the computation of capital requirements under the reduced BA-CVA for CVA risk.
3. Institutions shall apply the instructions provided below in this Annex to complete template CVA1.
4. Institutions must describe the types of hedge they use even if they are not taken into account under the reduced BA-CVA.

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| Row number | Explanation |
|------------|--|
| 0010 | <i>Aggregation of systematic components of CVA risk:</i> Capital requirements under perfect correlation assumption ($\rho \sum_c SCVA_c$) ² as per Rule 4.2 of the Credit Valuation Adjustment Risk Part of the PRA Rulebook. |
| 0020 | <i>Aggregation of idiosyncratic components of CVA risk:</i> Capital requirements under zero correlation assumption $(1-\rho^2) * \sum_c SCVA_c^2$ as per Rule 4.2 of Chapter 4 of the Credit Valuation Adjustment Risk Part of the PRA Rulebook. |
| 0030 | <i>Total:</i> $DS_{BA-CVA} \times K_{reduced}$ as per Rule 4.2 of Chapter 4 of the Credit Valuation Adjustment Risk Part of the PRA Rulebook. |

| Column letter | Explanation |
|---------------|---|
| (a) | Components (a) The components used to compute reduced BA-CVA capital requirements |
| (b) | BA-CVA (b) Computation of capital requirements under the reduced BA-CVA for CVA risk |

UKB CVA2: The full basic approach for CVA (BA-CVA)

1. The template should be fulfilled with only the amounts obtained from the netting sets which are under the full BA-CVA.
2. The Purpose of this template is to provide the components used for the computation of capital requirements under the full BA-CVA for CVA risk.
3. Institutions shall apply the instructions provided below in this Annex to complete template CVA2

| Row number | Explanation |
|---------------|--|
| 0010 | <i>K Reduced:</i> $DS_{BA-CVA} \times K_{reduced}$ as per Rule 4.2 of the Credit Valuation Adjustment Risk Part of the PRA Rulebook. |
| 0020 | <i>K Hedged:</i> $DS_{BA-CVA} \times K_{hedged}$ as per Rule 4.7 of the Credit Valuation Adjustment Risk Part of the PRA Rulebook. |
| 0030 | <i>Total:</i> $DS_{BA-CVA} \times K_{full}$ as per Rule 4.6 of the Credit Valuation Adjustment Risk Part of the PRA Rulebook. |
| Column BA-CVA | Capital requirements for CVA risk measured according to the full version of the BA-CVA |

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UKB CVAB: Qualitative disclosures for Institutions using the SA-CVA

1. The purpose of this template is to provide the main characteristics of the bank's CVA risk management framework.
2. In the case that institutions apply a different format, they shall provide information comparable with the information required in this table, with a similar level of granularity and including all the substance information required.

| Row Letter | Explanation |
|------------|---|
| a | A description of the bank's CVA risk management framework, as defined in Rule 5.13 of the CVA Risk Part. |
| b | A description of how senior management is involved in the CVA risk management framework. |
| c | An overview of the governance of the CVA risk management framework (eg documentation, independent control unit, independent review, independence of the data acquisition from the lines of business). |

UKB CVA3: The standardised approach for CVA (SA-CVA)

1. The purpose of this table is to provide the components used for the computation of capital requirements under the SA-CVA for CVA risk.
2. Institutions shall apply the instructions below in this Annex in order to complete template CVA3.
3. Additional rows can be inserted for the breakdown of other risks.

| Row number | Explanation |
|------------|---|
| 0010-0060 | Firms should report the sum of the delta and vega capital requirements for each risk class described in Chapter 5 of the Credit Valuation Adjustment Risk Part of the PRA Rulebook. |
| 0070 | Firms should report the total capital requirements by summing capital requirements from all risk classes. |

| Column letter | Explanation |
|---------------------------------|---|
| (a) SA-CVA capital requirements | Firms should report the capital requirements in accordance with Chapter 5 of the Credit Valuation Adjustment Risk Part of the PRA Rulebook. |
| (b) Number of Counterparties | Firms should report the total number of counterparties with which it has transactions in scope of SA-CVA capital requirements. |

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UKB CVA4: Capital Requirement flow statements of CVA risk exposures under SA-CVA

1. The purpose of this template is to provide flow statements explaining variations in capital requirement for CVA risk determined under the SA-CVA.
2. Institutions are expected to supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes. Factors behind changes could include movements in risk levels, scope changes (eg movement of netting sets between SA-CVA and BA-CVA), acquisition and disposal of business/product lines or entities or foreign currency translation movements.
3. Institutions shall apply the instructions provided below in this Annex in order to complete template CVA4

| Row number | Explanation |
|------------|--|
| 0010 | Firms should provide total CVA Capital requirement at previous quarter-end calculated under SA-CVA. |
| 0020 | Firms should provide total CVA Capital requirement at the end of reporting period calculated under SA-CVA. |