In this document, new text is underlined and deleted text is struck through.

FSA080 Pillar 2 Market risk

Firms should report their illiquid, concentrated and one-way positions in the trading and available-for-sale books.

General information

Firm should complete the following mandatory fields:

- the basis of their reporting – UK consolidated, solo consolidation, UK consolidation group or capital sub-group;

- the submission number – firms should enter '1' and increase this number by '1' in case of resubmission;

- the unique 'firm reference number' (FRN);

- the name of the firm;

- the reporting period start and end dates – these dates should coincide with the ICAAP assessment period. In particular, the reporting end date is the balance sheet end date used for purposes of the ICAAP assessment; and

- the reporting currency – firms should report in the currency of their ICAAP i.e. Pounds Sterling (GBP), US Dollars (USD), Euros (EUR), Canadian Dollars (CAD), Swiss Francs (CFH), Japanese Yen (JPY) or Swedish Krona (SEK).

Units

All amounts should be reported in absolute values rounded to the nearest whole number in reporting currency.

Where values correspond to percentages, these should be entered as decimal numbers up to 2 decimal places. For example, '70.00%'.

Legal entity

The legal entity in which each position is booked in, eg xxx Plc and xxx Bank Group. Each entry in this column will span more than one row if multiple risk factors are used in calculating the stress loss or illiquidity add-on. Where this is the case the entry should be merged across the rows.

Business unit

The business area or asset class each position belongs to, eg fixed income, currencies and commodities, equity, wealth management, and treasury. Where illiquid risk spans multiple business units (eg 3 month - 6 month tenor basis risk) this field may be populated with "All".

Sub business unit

The sub-business area each position belongs to; eg rates, rates exotic, and rates vanilla. Where illiquid risk spans multiple sub business units (eg 3 month - 6 month tenor basis risk) this field may be populated with "All".

Desk

The name of the trading desk each position belongs to; eg GBP options trading, and GBP flow trading. In practice, the desk should be the lowest hierarchical level which contains both the illiquid product and its hedges.

Currency of exposure

This should be the currency of the value generated by the booking system. This can be different from the currency used in the firm's ICAAP (reporting currency).

Product type

A brief description for each position identified. This position can be a specific illiquid product or risk. The description should be of sufficient detail for a competent valuation/market risk specialist with no prior knowledge of the position to understand it. Provide referenced Word document or PDF separately if needed; eg power reverse dual currency (PRDC), complex hybrid derivative, detailed payoff, and rates 3M-6M basis.

Illiquidity type

The market dynamic of each position. Select from: illiquid, concentrated, illiquid & concentrated, sticky/stale, structural liquid, one-way; include any other illiquidity type descriptor where the existing list is not sufficient.

Scenario description

A description of the stress testing scenario used to calculate the illiquidity add-on (eg for PRDCs, all risk factors are shocked and then individual spot/volatility shocks for the underlying rates and foreign exchange (FX) pair are subtracted giving an illiquidity loss for unhedgeable risks).

Note: the actual shocks will be in the column 'Stress Shifts' - The scenario calculation should be full revaluation for products which contain significant non-linearity and should capture those risks not captured in Pillar 1.

Notional value

The aggregated notional amount for each illiquid position, separating long and short positions; eg Long JPY ~~50 billion~~ 50,000,000,000, and Short JPY ~~500 billion~~ 500,000,000,000. This field may be left unpopulated for some non-product specific risks.

Market value

Mid-level market valuation of the illiquid positions in the portfolio, excluding any fair value adjustments, separating long and short positions; eg Long USD~~0.5 billion~~ 500,000,000, Short USD~~5billion~~ 5,000,000,000. This field may be left unpopulated for some non-product specific risks.

Liquidity horizon

The estimated exit or immunisation period for each position, based on size of the position and average daily trading activity of the underlying product or exposure; select from: 1M, 2M, 3M, 6M, 9M, 1 year, >1 year.

Stress shifts

The quantifications of changes in parameters in stress testing; eg USD/JPY depreciate 20,00%, USD rates up 100bp, JPY rates up 10bp, volatility up by 50,00% on a relative basis, and/or correlation down by 10,00%. Ensure all shifts are listed individually.

Revaluation method

The method of calculating stress loss. Select from: full revaluation, sensitivity-based revaluation, grid revaluation. Where an alternative method is used provide a suitable description.

Calibration date range

The date range during which the stress shifts are calibrated; eg 6 month change in correlation in H1 2008.

Stress loss

The amount of stress loss for each position under the stress scenario specified; eg 50,000,000. Note that this stress loss should stem from a firm defined scenario which will generate a potential loss.

Capital mitigant

The description of any mitigant for the stress loss; eg fair value reserve, prudent valuation adjustment.

Capital mitigant value

The amount of any mitigation for the stress loss, for each of the mitigants identified; eg (fair value reserve) 20,000,000, (prudent valuation adjustment) 50,000,000.

Regulatory regime

The method used for Pillar 1 regulatory capital requirements calculations under the CRR. Select from: Standardised or Advanced.

Trading status

The status of trading by the firm; eg active market marking, legacy positions seeking exit, or hold to maturity.

Position count

For individual (rather than basis type positions) derivative products a position count so the PRA can consider the average size deal using the notional value above.