Basel Committee
on Banking Supervision

Revisions to market risk disclosure requirements

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1. Introduction

In January 2019, the Basel Committee on Banking Supervision published a new version of the minimum capital requirements for market risk,[1] replacing an earlier version of the standard published in January 2016. The new version of the market risk standard is structurally different from the previous one.

One of the main changes is the introduction of a "traffic light" approach for capital requirements as a consequence of the profit and loss attribution (PLA) test for banks that use the internal models approach (IMA). The consequence of failing the PLA test has been revised from the former binary pass-or-fail outcome to a three-tiered "traffic light" approach with an intermediate "amber zone." Trading desks in the "green zone" are considered to have passed the PLA test and may use the IMA. Trading desks in the "amber zone" may continue to use the IMA but will be subject to a capital surcharge. Trading desks in the "red zone" are considered to have failed the PLA test and are not permitted to use the IMA; instead, they must use the standardised approach (SA) for determining their market risk capital requirements.

Another significant change is the introduction of the simplified standardised approach (SSA) as an alternative to calculate capital requirements for market risk. For banks that have relatively small or non-complex trading portfolios, the SSA – a recalibrated version of the Basel 2.5 market risk standardised approach – may be used by banks in lieu of use of the "full" standardised approach, subject to supervisory approval.

In November 2019 the Committee published a consultative document (CD) that set out proposed changes to the market risk disclosure requirements set out in chapter DIS50 of the Basel Framework.[2] The proposed changes aimed to update the disclosure requirements to take account of the changes to the minimum capital requirements for market risk and make further enhancements to continue to promote market discipline. The Committee considered the feedback to the CD and the final changes to the disclosure standards are summarised in the section below. The specific edits to the Basel Framework are set out in Annex 1 and 2 and will be reflected in the consolidated version[3] in due course.

2. Changes to market risk disclosure requirements

Set out below are descriptions of the changes to the disclosure standards that the Committee has agreed to make in light of the feedback it received to its November 2019 CD.

2.1 Table MRA – General qualitative disclosure requirements related to market risk

The CD did not include proposals to change Table MRA, which requires banks to describe their risk management objectives and policies for market risk according to the framework. However, in response to the feedback received the Committee has agreed to make the following changes:

[1] Basel Committee on Banking Supervision, *Minimum capital requirements for market risk*, January 2019, www.bis.org/bcbs/publ/d457.htm.

[2] Basel Committee on Banking Supervision, *Consultative document - Revisions to market risk disclosure requirements*, November 2019, www.bis.org/bcbs/publ/d484.pdf.

[3] www.bis.org/basel_framework/.

- The requirement "A general description of the trading desk structure (as defined in MAR12)" is only applicable to banks that use the IMA, and hence, this has been moved to Table MRB ('Qualitative disclosure for banks using the IMA').
- An additional bullet point is added in Table MRA to include a qualitative requirement regarding internal risk transfer activities.
- As a consequence of the deletion of Table MRC (see section 2.4), the 3rd bullet point in requirement (a) in Table MRA is moved to Table MRB (see section 2.3).

2.2 Template MR1 – Market risk under the standardised approach

The CD included a proposal to clarify the scope of application to explicitly include the SA capital requirements for IMA trading desks that have failed model eligibility tests (ie PLA test or backtesting). Concerns were raised in the feedback that the wording of the narrative could be misleading and could lead banks to disclose proprietary information. The language of the scope of application has therefore been adjusted to address these concerns. Further, the qualitative requirement for an accompanying narrative has been simplified and any wording that may be interpreted as requesting individual information at the desk level is removed.

2.3 Table MRB – Qualitative disclosures for banks using the IMA

The CD included a proposal to update definitions in the table and its instructions to better reflect the January 2019 market risk standard. In response to feedback received, further changes are made to clarify that a general description of the methodology for each *category* of non-modellable risk factors (NMRFs), instead of the methodology for each *individual* NMRF, is required in part (C) of the table. Also, as a result of the proposed change in Table MRA and deletion of Table MRC, a general description of the trading desk structure and types of instruments traded by the IMA trading desks are included in Table MRB.

2.4 Table MRC – The structure of desks for banks using the IMA

The CD included proposed adjustments to this table to specify a materiality threshold for the disclosure of information pertaining to individual trading desks. Respondents to the consultation expressed concerns about the usefulness and the comparability of this table as more granularity in disclosure requirements may make the information less comparable. Disclosure preparers were also worried that the individual trading desk-level disclosure might result in banks publishing proprietary information. For example, it was cited that particularly the new inclusion or exclusion of a trading desk in Table MRC may reveal the bank's trading strategies or strategic business decisions. In addition, disclosure preparers were concerned with the preparation burden, which was considered disproportional compared to the value of information provided to disclosure users. Disclosure users cited that a check-list of instruments and main risks by each trading desk is not particularly informative. Therefore, the table has been deleted.

2.5 Template MR2 – Market risk IMA

The CD included significant proposed changes to this template to provide comprehensive disclosure of the capital requirements for banks that use the IMA for all or part of their trading book portfolios. The main changes proposed in the CD have been retained, but the template has also been expanded to include the contents of a reduced version of the former template MR3 ('RWA flow statements of market risk for trading desks under the IMA'), as discussed below.

2.6 Template MR3 – RWA flow statements of market risk for trading desks under the IMA

The CD included proposals to expand this template to include three columns to reflect some of the new elements of the capital requirements under the IMA, namely the RWA surcharge for amber trading desk, the IMA RWA for green and amber desks, and the total SA RWA for trading desks ineligible to use IMA. Reflecting on the feedback to the CD, the Committee agreed that the required disclosure in MR3 was too detailed and the optional nature of certain rows limits its usefulness. As a consequence, the Committee agreed to merge the useful elements of Template MR3 with Template MR2 and remove MR3 from the disclosure framework. This change will reduce the burden of regulatory reporting in terms of number of templates that the banks need to complete. The required frequency of disclosure of the merged template is set at quarterly.

2.7 Template MR4 – Market risk under the simplified standardised approach

The CD included a new Template MR4 to set out market risk requirements under the SSA. This template has been finalised as presented in the CD and renamed as Template MR3.

2.8 Clarification of example in DIS99

To clarify the application of Template MR2 and Template MR3, the CD included proposed new text to include in chapter DIS99 (worked examples) of the consolidated Basel Framework. The examples have been revised in light of the decision to merge Template MR2 with Template MR3.

Annex 1: Revisions to chapter DIS50 – Market risk

Introduction

50.1 The market risk section includes the market risk capital requirements calculated for trading book and banking book exposures that are subject to a market risk capital requirement in MAR10 to ~~MAR33~~ MAR40. It also includes capital requirements for securitisation positions held in the trading book. However, it excludes the counterparty credit risk capital requirements that apply to the same exposures, which are reported in DIS42.

50.2 The disclosure requirements under this section are:

General information about market risk

(1) Table MRA – General qualitative disclosure requirements related to market risk

Market risk under the standardised approach

(2) Template MR1 - Market risk under the standardised approach

Market risk under the internal models approach (IMA)

(3) Table MRB - Qualitative disclosures for banks using the IMA

~~(4) Table MRC – The structure of trading desks for banks using the IMA~~

~~(5)~~(4) Template MR2 – Market risk for banks using the IMA ~~per risk type~~

~~(6) Template MR3 – Risk-weighted assets (RWA) flow statements of market risk exposures under the IMA~~

Market risk under the simplified standardised approach (SSA)

(5) Template MR3 – Market risk under the simplified standardised approach

Table MRA: General qualitative disclosure requirements related to market risk

Purpose: Provide a description of the risk management objectives and policies for market risk as defined in MAR11.1.		
Scope of application: The table is mandatory for all banks that are subject to the market risk framework.		
Content: Qualitative information.		
Frequency: Annual.		
Format: Flexible.		
Banks must describe their risk management objectives and policies for market risk according to the framework as follows:		
(a)	Strategies and processes of the bank, which must include an explanation and/or a description of:	
	•	The bank's strategic objectives in undertaking trading activities, as well as the processes implemented to identify, measure, monitor and control the bank's market risks, including policies for hedging risk and the strategies/processes for monitoring the continuing effectiveness of hedges.
	~~•~~	~~A general description of the desk structure (as defined in MAR12)~~
	~~•~~	~~Types of instruments included in the desks or desk categories that are not covered by Template MRC.~~
	•	Policies for determining whether a position is designated as trading, including the definition of stale positions and the risk management policies for monitoring those positions. In addition, banks should describe cases where instruments are assigned to the trading or banking book contrary to the general presumptions of their instrument category and the market and gross fair value of such cases, as well as cases where instruments have been moved from one book to the other since the last reporting period, including the gross fair value of such cases and the reason for the move.
	•	Description of internal risk transfer activities, including the types of internal risk transfer desk (RBC25).
(b)	The structure and organisation of the market risk management function, including a description of the market risk governance structure established to implement the strategies and processes of the bank discussed in row (a) above.	
(c)	The scope and nature of risk reporting and/or measurement systems.	

Template MR1: Market risk under the standardised approach

Purpose: Provide the components of the capital requirement under the standardised approach for market risk.
Scope of application: The template is mandatory for banks having part or all of their market risk capital requirements measured according to the standardised approach. For banks that use the internal models approach (IMA), the standardised approach capital requirement in this template must be calculated based on the portfolios in trading desks that do not use the IMA (ie trading desks that are not deemed eligible to use the IMA per the terms of MAR30.4).
Content: Capital requirement (as defined in MAR20 to MAR23 of the market risk framework).
Frequency: Semiannual.
Format: Fixed. Additional rows can be added for the breakdown of other risks.
Accompanying narrative: Banks are expected to supplement the template with a narrative commentary to explain any significant change over the reporting period and the key drivers of such changes. In particular, the narrative should inform about changes in the scope of application, including changes due to trading desks ~~must describe or provide a list of the trading desks which use the standardised approach for regulatory capital purposes. In addition, banks must explain any changes in the scope of positions~~ for which capital requirements are calculated using the standardised approach.

		a
		Capital requirement in standardised approach
1	General interest rate risk	
2	Equity risk	
3	Commodity risk	
4	Foreign exchange risk	
5	Credit spread risk – non-securitisations	
6	Credit spread risk – securitisations (non-correlation trading portfolio)	
7	Credit spread risk – securitisation (correlation trading portfolio)	
8	Default risk – non-securitisations	
9	Default risk – securitisations (non-correlation trading portfolio)	
10	Default risk – securitisations (correlation trading portfolio)	
11	Residual risk add-on	
12	**Total**	

Linkages across templates

[MR1 12/a] is equal to [OV1 21/c]

Table MRB: Qualitative disclosures for banks using the IMA

Purpose: Provide the scope, main characteristics and key modelling choices of the different models used for the capital requirement computation of market risks using the IMA.

Scope of application: The table is mandatory for all banks using the IMA to calculate the market risk capital requirements. To provide meaningful information to users on a bank's use of internal models, the bank must describe the main characteristics of the models used at the group-wide level (according to the scope of regulatory consolidation) and explain the extent to which they represent all the models used at the group-wide level. The commentary must include the percentage of capital requirements covered by the models described for each of the regulatory models (expected shortfall (ES), default risk capital (DRC) requirement and stressed expected shortfall (SES) for non-modellable risk factors (NMRFs)).

Content: Qualitative information.

Frequency: Annual.

Format: Flexible.

(A) Banks must provide a general description of the trading desk structure (as defined in MAR12) and types of instruments included in the IMA trading desks.	
(B~~A~~) For ES models, banks must provide the following information:	
(a)	A description of trading desks ~~activities and risks~~ covered by the ES models. Where applicable, banks must also describe the main trading desks ~~activities and risks~~ not included in ES regulatory calculations (due to lack of historical data or model constraints) and treated under other measures (such as specific treatments allowed in some jurisdictions).
(b)	The soundness criteria on which the internal capital adequacy assessment is based (eg forward-looking stress testing) and a description of the methodologies used to achieve a capital adequacy assessment that is consistent with the soundness standards.
(c)	A general description of the ES model(s). For example, banks may describe whether the model(s) is (are) based on historical simulation, Monte Carlo simulations or other appropriate analytical methods, and the observation period for ES based on stressed observations (ES$_{R,S}$)~~and weighting methods of data for the calculation of the current period ES~~.
(d)	~~Data updating frequency.~~ The frequency by which model data is updated.
(e)	A description of the ES calculation based on current and stressed observations ~~the stress testing applied to the main significant portfolios that are modelled~~. For example, banks ~~may~~ should describe the reduced set of risk factors used to calibrate the period of stress~~, and the full set of risk factors~~, the share of the variations in the full ES that is explained by the reduced set of risk factors, and the observation ~~horizon~~ period used to identify the most stressful 12 months.
(~~B~~C) ~~NMRFs~~SES	
(a)	A general description of each methodology used to achieve a capital assessment for categories of NMRFs that is consistent with the required soundness standard.
(~~C~~D) Banks using internal models to determine the DRC must provide the following information:	
(a)	A general description of the methodology: Information about the characteristics and scope of the value-at-risk (VaR) and whether different models are used for different exposure classes. For example, banks may describe the range of probability of default (PD) by obligors on the different types of positions, the approaches used to correct market-implied PDs as applicable, the treatment of netting, basis risk between long and short exposures of different obligors, mismatch between a position and its hedge and concentrations that can arise within and across product classes during stressed conditions.
(b)	The methodology used to achieve a capital assessment that is consistent with both the required soundness standard and MAR33.18 to MAR33.39.
(E~~D~~) Validation of models and modelling processes	
(~~c~~a)	The approaches used in the validation of the models and modelling processes, describing general approaches used ~~(eg stress tests, sensitivity analysis, scenario analysis),~~ and the types of assumptions and benchmarks on which they rely.

~~Table MRC: The structure of trading desks for banks using the IMA~~

~~**Purpose:** Provide an overview of the structure of a bank's trading desks relevant for the IMA.~~

~~**Scope of application:** The template is mandatory for all banks using the IMA.~~

~~**Content:** Qualitative information. Banks must separately disclose all the trading desks they believe are representative of their trading book under IMA and, at a minimum, the five trading desks with the highest aggregate standalone capital requirement under IMA. Banks must tick the cell for each category of risk to which a trading desk gives rise and each category of products traded by a trading desk. When a trading desk gives rise to more than one type of risk, all the major risks generated by that trading desk should be ticked. Qualitative information may be provided on the different types of risks covered, especially for risks identified as "other". When a trading desk trades more than one type of instrument, all the major types of instruments traded by that trading desk should be ticked.~~

~~**Frequency:** Semiannual.~~

~~**Format:** Flexible. Columns may be added, especially if the category of risk or trading product does not fit with one or some desk characteristics.~~

~~**Accompanying narrative:** Banks must decide which of their trading desks will be subject to the disclosure requirements in this table and in Template MR2 and explain the reasons for the selection and why it is representative of the bank's trading book under IMA. Banks must provide information on the number of trading desks under IMA that are not individually disclosed in this table, as well as on the main risks and main products traded by those trading desks.~~

	~~a~~	~~b~~	~~b~~	~~d~~	~~e~~	~~f~~	~~g~~	~~h~~	~~i~~	~~j~~	~~k~~	~~l~~	~~m~~	~~n~~	~~o~~	~~p~~	~~q~~	~~r~~
	~~Main risk types for each trading desk (category)~~						~~Main types of instruments traded by this desk (category)~~											~~Description of trading desk activity~~
	~~General interest rate~~	~~Equity~~	~~Commodities~~	~~Foreign exchange (FX)~~	~~Credit spread~~	~~Other~~	~~Cash~~	~~Forwards~~	~~Futures~~	~~Plain vanilla options~~	~~Complex options~~	~~Asset-backed securities~~	~~Mortgage-backed securities~~	~~Interest rate swaps~~	~~FX swaps~~	~~Credit default swaps~~	~~...~~	
~~Trading desk 1~~																		
~~Trading desk 2~~																		
~~...~~																		
~~Trading desk x~~																		

Template MR2: Market risk for banks using the IMA ~~per risk type~~

Purpose: Provide the components of the capital requirement under the IMA for market risk ~~by risk type~~.

Scope of application: The template is mandatory for banks using the IMA for part or all of their market risk for regulatory capital calculations.

Content: Capital requirement calculation (as defined in MAR33) at the group-wide level (according to the scope of regulatory consolidation).

Frequency: ~~Semiannual based on data from the previous quarter where applicable.~~ Quarterly.

Format: Fixed.

Accompanying narrative: Banks must report the components of their total capital requirement that are included for their most recent measure and the components that are included for their average of the previous 60 days for ES, IMCC and SES, and 12 weeks for DRC. Banks must also provide a comparison of VaR estimates with actual gains/losses experienced by the bank, with analysis of important "outliers" in backtest results. Banks are also expected to include the corresponding figures at the previous quarter in this template and explain any significant changes in the current figures in the narrative section.

			a	b	c	d	e	f	g
			At the current quarter					At the previous quarter	
			Risk measure: for previous 60 days / 12 weeks:				Number of backtesting exceptions	Risk measure: for previous 60 days / 12 weeks	
			Most recent	Average	High	Low	VaR measure 99.0%	Most recent	Average
1	Unconstrained expected shortfall								
2	ES for the regulatory risk classes	General interest rate risk							
3		Equity risk							
4		Commodity risk							
5		Foreign exchange risk							
6		Credit spread risk							
7	Constrained expected shortfall								
8	~~(Rho*Unconstrained ES+(1-Rho)*aggregated risk class ES)~~ IMCC (0.5*Unconstrained ES+0.5*constrained risk class ES)								
9	Capital requirement for non-modellable risk factors; SES								
10	Default risk capital requirement								
11	Capital surcharge for amber trading desks								
12~~11~~	Capital requirements for green and amber trading desks (including capital surcharge) ~~Subtotal: a=8+9+10, b=multiplier*8+9+10~~								
13	Total SA Capital requirements for trading desks ineligible to use the IMA as reported in MR1 (C_U)								
14	Difference in capital requirements under the IMA and SA for green and amber trading desks								

~~13~~ 15	SA capital requirement for all trading desks (including those subject to IMA)~~Standardised approach capital charge for the entire trading book (ie all trading desks, including those subject to IMA)~~					
16 ~~12~~	Total market risk capital requirement: min(12+13; 15)+max(0, 14)					

Definitions and instructions

	Explanation
1	*Unconstrained expected shortfall*: Expected shortfall (ES) as defined in MAR33.1 to MAR33.12, calculated without supervisory constraints on cross-risk factor correlations. ~~Backtesting is based on daily VaR at the 99th percentile level of confidence of the unconstrained ES model on the full set of risk factors using the current observation period, as described in MAR30.4 (ie 12 months).~~
7	*Constrained expected shortfall*: ES as defined in MAR33.1 to MAR33.12, calculated ~~using empirical correlations recognised by banks across broad risk factor categories constrained by the supervisory aggregation scheme~~ in accordance with MAR33.14. The constrained ES disclosed should be the sum of partial expected shortfall capital requirements (ie all other risk factors should be held constant) for the range of broad regulatory risk factor classes (interest rate risk, equity risk, foreign exchange risk, commodity risk and credit spread risk).
9	*Capital requirement for non-modellable risk factors*: aggregate regulatory capital measure calculated in accordance with MAR33.16 and MAR33.17, for risk factors in model-eligible trading desks that are deemed non-modellable in accordance with MAR30.4.
10	*Default risk capital (DRC) requirement*: in accordance with MAR33.18, measure of the default risk of trading book positions, except those subject to standardised capital requirements. This covers, inter alia, sovereign exposures (including those denominated in the sovereign's domestic currency), equity positions and defaulted debt positions.
11	*Capital surcharge for amber trading desks*: capital surcharge for eligible trading desks that is in the P&L attribution test "amber zone", calculated in accordance with MAR33.45.
12~~11~~	*Subtotal for green and amber trading desks:* (C_A+DRC) + Capital surcharge, in accordance with MAR33.41 to MAR33.43; MAR33.22; and MAR33.45. Row 12= max[8/a+9/a; multiplier*8/b+9/b]+max[10/a; 10/b]+11. ~~*Subtotal:* for column (a), the sub-total is the sum of rows 8 to 10. For column (b), the sum of the 12-week average value disclosed in rows 8-10 is multiplied by the applicable multiplication factor set in accordance with MAR33.15.~~
13	*Total SA capital requirements for trading desks ineligible to use the IMA (C_U)*: standardised approach (SA) capital requirements for trading desks that are either out of scope for model approval or that have been deemed ineligible to use the IMA, corresponding to the total capital requirement under the SA as reported in row 12 of Template MR1.
14	*Difference in capital requirements under the IMA and SA for green and amber trading desks:* capital requirements for green and amber trading desks under the IMA ($IMA_{G,A}$) – capital requirements for green and amber trading desks under SA ($SA_{G,A}$) in accordance with MAR33.45).
15~~12~~	*SA capital requirement for all trading desks (including those subject to the IMA)*: the most recent standardised approach capital requirement for all instruments across all trading desks, regardless of whether those trading desks are eligible for the IMA, as set out in MAR33.43 and MAR11.8(1). ~~*Total standardised approach capital requirement for the entire trading book (ie all trading desks, including those subject to IMA):* the most recent standardised approach requirement as calculated for the entire trading book (ie all trading desks subject to the standardised approach and no trading desks subject to IMA).~~
16~~12~~	*Total market risk capital requirement*: the total capital requirement is calculated as set out in MAR33.43 ~~*Total capital requirement:* the highest amount between columns (a) and (b) in rows 8 and 10.~~

Linkages across templates

[MR2:~~12]~~16 minus MR2:13] is equal to [OV1 22/c]

[MR2:16 minus MR2:13] x 12.5 is equal to [CMS1 5/a] (The linkage to "Template CMS1: Comparison of modelled and standardised RWA at risk level" will not hold if a bank using the standardised approach for market risk also uses SEC-IRBA and/or SEC-IAA when determining the default risk charge component for securitisations held in the trading book.)

[MR2:13] x 12.5 is equal to [CMS1 5/b] (The linkage to "Template CMS1: Comparison of modelled and standardised RWA at risk level" will not hold if a bank using the standardised approach for market risk also uses SEC-IRBA and/or SEC-IAA when determining the default risk charge component for securitisations held in the trading book.)

[MR2:16] x 12.5 is equal to [CMS1 5/c]

[MR2:15] x 12.5 is equal to [CMS1 5/d] (The linkage to "Template CMS1: Comparison of modelled and standardised RWA at risk level" will not hold if an AI using the standardised approach for market risk also uses SEC-IRBA and/or SEC-IAA when determining the default risk charge component for securitisations held in the trading book.)

~~Template MR3: RWA flow statements of market risk exposures under the IMA~~

~~**Purpose:** Flow statement explaining variations in market RWA determined under the internal models approach (IMA).~~

~~**Scope of application:** The template is mandatory for banks using an IMA for their market risk exposures.~~

~~**Content:** Risk-weighted assets (RWA) for market risk. Changes in RWA amounts over the reporting period for each of the key drivers should be based on a bank's reasonable estimation of the figure.~~

~~**Frequency**: Quarterly.~~

~~**Format:** Fixed format. The columns and rows 1 and 6 are fixed. Banks may add additional rows between rows 3 and 4 to disclose additional elements that contribute to RWA variations where information on changes in RWA is available. Categories for such changes are defined below as: movements in risk levels, model changes, regulatory changes, acquisitions and disposals, foreign exchange and other. In the absence of additional rows, banks are expected to describe the approximate changes in RWA in the narrative section using the same categories previously described.~~

~~**Accompanying narrative:** Banks 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.~~

		~~a~~	~~b~~	~~c~~	~~d~~
		~~ES~~	~~NMRF~~	~~DRC~~	~~Total RWA~~
~~1~~	~~RWA at previous quarter-end~~				
~~2~~	~~*Regulatory adjustment*~~				
~~3~~	~~**RWA at end of day previous quarter**~~				
~~4~~	~~**RWA at end of day previous current quarter**~~				
~~5~~	~~*Regulatory adjustment*~~				
~~6~~	~~RWA at end of reporting period~~				

~~**Definitions and instructions**~~

~~***Optional rows***~~

~~*Movement in risk levels:* Changes due to movements in the nature or size of positions, other than those to be reported on rows 5 and 6.~~
~~*Model changes:* Significant updates to the model to reflect recent experience (eg recalibration), as well as significant changes in model scope, including when trading desks moved from the IMA to the standardized approach or vice versa. If more than one model update has taken place, additional rows could be necessary.~~
~~*Regulatory changes:* Methodology changes to the calculations driven by regulatory policy changes.~~
~~*Acquisitions and disposals:* Modifications due to acquisition or disposal of business/product lines or entities.~~
~~*Foreign exchange:* Changes driven by foreign currency translation movements.~~
~~*Other:* this category must be used to capture changes that cannot be attributed to any other category.~~

~~***Columns***~~

~~*ES / RWA at end of reporting period:* Derived risk-weighted assets corresponding to the [capital requirement reflecting the Regulatory ES as well as any additional capital requirement on the supervisor's decision] x 12.5.~~
~~*NMRF / RWA at end of reporting period:* Derived risk-weighted assets corresponding to the [capital requirement for non-modellable risks as well as any additional capital requirement on the supervisor's decision] x 12.5.~~
~~*DRC / RWA at end of reporting period:* Derived risk-weighted assets corresponding to the [capital requirement as well as any additional capital requirement on the supervisor's decision] x 12.5.~~
~~*Total RWA at end of reporting period:* derived risk-weighted assets corresponding to the [total capital requirement for market risk in the basis of IMA x 12.5]; this amount must reconcile with the amounts shown in template OV1.~~
~~If the derived RWA from the capital requirement for any of the columns (a)–(d) / rows (1) or (6) is not directly provided by the model, but is instead calculated from the 60-day average, the bank may add an additional row for regulatory adjustment in order to be able to provide the reconciliation required in Template MR2 as well as the key drivers' amounts in rows (2)–(6).~~

~~**Linkages across templates**~~

~~[MR3:1/d] is equal to [OV1:22/b]~~

~~[MR3:6/d] is equal to [OV1:22/a]~~

Template MR3: Market risk under the simplified standardised approach

Purpose: Provide the components of the capital requirement under the simplified standardised approach for market risk.
Scope of application: The template is mandatory for banks that use the simplified standardised approach to determine market risk capital requirements.
Content: Capital requirement (as defined in MAR40 of the market risk framework).
Frequency: Semiannual.
Format: Fixed. Additional rows can be added for the breakdown of other risks.
Accompanying narrative:

		a	b	c	d
		Outright products	Options		
			Simplified approach	Delta-plus method	Scenario approach
1	Interest rate risk				
2	Equity risk				
3	Commodity risk				
4	Foreign exchange risk				
5	Securitisation				
6	**Total**				

Definitions and instructions

	Explanation
5	*Securitisation*: specific capital requirement under MAR40.14
a	*Outright products*: positions in products that are not optional. This includes the capital requirement under MAR40.3 to MAR40.40 (interest rate risk); the capital requirement under MAR40.41 to MAR40.52 (equity risk); the capital requirement under MAR40.63 to MAR40.73 (commodities risk); and the capital requirement under MAR40.53 to MAR40.62 (FX risk).
b	*Options under the simplified approach*: capital requirements for option risks (non-delta risks) under MAR40.76 from debt instruments, equity instruments, commodities instruments and foreign exchange instruments.
c	*Options under the delta-plus method*: capital requirements for option risks (non-delta risks) under MAR40.77 to MAR40.80 from debt instruments, equity instruments, commodities instruments and foreign exchange instruments.
d	*Options under the scenario approach*: capital requirements for option risks (non-delta risks) under MAR40.81 to MAR40.86 from debt instruments, equity instruments, commodities instruments and foreign exchange instruments.

Annex 2: Revisions to chapter DIS99 – Worked example

In order to provide users and preparers of the market risk disclosures with guidance on the completion of template MR2, a new version of DIS99 – Worked examples will be introduced, effective as of 1 January 2023. Relative to the current version of DIS99, paragraph DIS99.4 will be replaced by the two new paragraphs below.

Template MR2 - illustration

99.4 The paragraphs below describe the relevant provisions for components of IMA capital requirement calculations.

(1) The aggregate capital requirement for approved and eligible trading desks (TDs) **($IMA_{G,A}$)** according to MAR33.43 is defined as: **C_A + DRC +** Capital surcharge.

(2) According to MAR33.41 **C_A** is defined as:

$$C_A = max\left\{IMCC_{t-1} + SES_{t-1}; m_c \cdot IMCC_{avg} + SES_{avg}\right\}$$

(3) According to MAR33.22 **DRC** is defined as the greater of: (1) the average of the DRC requirement model measures over the previous 12 weeks; or (2) the most recent DRC requirement model measure.

(4) According to MAR33.45 **Capital surcharge**: is calculated as the difference between the aggregated standardised capital charges ($SA_{G,A}$) and the aggregated internal models-based capital charges ($IMA_{G,A} = C_A + DRC$) multiplied by a factor k. k and $SA_{G,A}$ are only recent while $IMA_{G,A}$ is average or recent -> Surcharge is average or recent.

$$Capital\,surcharge = k \cdot \max\left\{0, SA_{G,A} - IMA_{G,A}\right\}, \text{ where } k = 0.5 \times \frac{\sum_{i \in A} SA_i}{\sum_{i \in G,A} SA_i}$$

Example: illustration of the correct specification for row 12 in template MR2

99.5 Applying the formulae set out in MAR33.22, MAR33.41, MAR33.43, and MAR33.45 (marked in blue below), the relevant components for C_A [either most recent (8+9) or average 1.5*8 +9] and DRC should take the respectively greater value of the "most recent" and "average" (marked in red). This results in the green and amber trading desks total capital requirements (including capital surcharge) of 485.

		a	b	
	Template MR2	Most recent	Average	
8	IMCC	100	130	*1.5
9	SES	130	100	
	*(C_A = max [$IMCC_{t-1}$+SES_{t-1}; m_c*$IMCC_{avg}$+SES_{avg}]*	*(230)*	*(295)*	
10	DRC	100	90	
11	Capital surcharge for amber TD		90	
12	Capital requirements for green and amber TDs (including capital surcharge) max[a=(8+9); b=(multiplier*8+9)]+max[a=10; b=10]+ 11		485	
13	SA Capital requirements for TD ineligible to use IMA C_u		20	