Financial Sector (Collection of Data) (reporting standard) determination No. 4 of 2006

Reporting standard ARS 113.0 Market Risk

**Financial Sector (Collection of Data) Act 2001**

I, Charles Watts Littrell, a delegate of APRA, under paragraph 13(1)(a) of the *Financial Sector (Collection of Data) Act 2001* (the Act) and subsection 33(3) of the *Acts Interpretation Act 1901*:

- REVOKE the Reporting Standard ARS 113.0 (2005) Market Risk; and
- DETERMINE the Reporting standard ARS 113.0 Market Risk in the form set out in the Schedule, which applies to the financial sector entities referred to in paragraph 2 of the reporting standard

Under section 15 of the Act, I DECLARE that the reporting standard shall begin to apply to those financial sector entities on the later of 1 July 2006 and the date of registration on the Federal Register of Legislative Instruments.

Dated 26 June 2006

[signed]

Charles Littrell  
Executive General Manager  
Policy, Research and Statistics  
APRA
Interpretation

In this Determination

APRA means the Australian Prudential Regulation Authority.

Schedule

Reporting standard ARS 113.0 Market Risk comprises 60 pages commencing on the following page.
Reporting Standard ARS 113.0

Market Risk

Objective of this reporting standard

This reporting standard is made under section 13 of the Financial Sector (Collection of Data) Act 2001. It requires certain authorised deposit-taking institutions that are locally-incorporated (excluding specialist credit card institutions), to report to APRA, generally on a quarterly basis, in relation to their market risk.

This reporting standard outlines the overall requirements for the provision of relevant information to APRA. It should be read in conjunction with:

- Form ARF 113.0 Market Risk and the associated instructions (both of which are attached and form part of this reporting standard); and

Purpose

1. Data collected in Form ARF 113.0 Market Risk (Form ARF 113.0) is used by APRA for the purpose of prudential supervision including assessing compliance with Prudential Standard APS 113 Capital Adequacy: Market Risk. It may also be used by the Reserve Bank of Australia and the Australian Bureau of Statistics.

Application

2. This reporting standard applies to locally-incorporated authorised deposit-taking institutions (ADIs) covered by paragraphs 3 and 4.

Information required

3. A locally-incorporated ADI (other than a specialist credit card institution) that is a highest parent entity in relation to a consolidated ADI group must provide APRA with the information required by Form ARF 113.0, on a ‘Consolidated Group’ basis, for each reporting period.
4. A locally-incorporated ADI (other than a specialist credit card institution) must, if APRA determines in writing in relation to the ADI, provide APRA with the information required by Form ARF 113.0 on a ‘Licensed ADI’ basis for each reporting period that commences after APRA has made the determination (even if the ADI is also required to provide information under paragraph 3). APRA may make such a determination if, having regard to the particular circumstances of the ADI, APRA considers it necessary or desirable to require the ADI to provide the information for the purposes of the prudential regulation of the ADI.

Forms and method of submission

5. The information required by this reporting standard must be given to APRA either:

(a) in electronic form, using one of the electronic submission mechanisms provided by the ‘Direct to APRA’ (also known as ‘D2A’) application; or

(b) manually completed on paper, which must be faxed or mailed to APRA’s head office.

*Note:* the Direct to APRA application software and paper forms may be obtained from APRA.

Reporting periods and due dates

6. Subject to paragraph 7, a locally-incorporated ADI (other than a specialist credit card institution) must provide the information required by this reporting standard for each quarter based on the financial year (within the meaning of the *Corporations Act 2001*) of the ADI.

7. APRA may, by notice in writing, change the reporting periods, or specified reporting periods, for a particular ADI, to require it to provide the information required by this reporting standard more frequently, or less frequently, having regard to:

(a) the particular circumstances of the ADI;

(b) the extent to which the information is required for the purposes of the prudential supervision of the ADI; and

(c) the requirements of the Reserve Bank of Australia or the Australian Bureau of Statistics.

8. The information required by this reporting standard must be provided to APRA by 20 business days after the end of the reporting period to which the information relates.

9. APRA may grant an ADI an extension of a due date in writing, in which case the new due date for the provision of the information will be the date on the notice of extension.
**Quality control**

10. The information provided by an ADI under this reporting standard (except for the information required under paragraph 3) must be the product of processes and controls that have been reviewed and tested by the external auditor of the ADI. AGS 1008 ‘Audit Implications of Prudential Reporting Requirements for Authorised Deposit-taking Institutions’, issued by the Auditing and Assurance Standards Board provides guidance on the scope and nature of the review and testing required from external auditors. This review and testing must be done on an annual basis or more frequently if necessary to enable the external auditor to form an opinion on the accuracy and reliability of the data.

11. All information provided by an ADI under this reporting standard must be subject to processes and controls developed by the ADI for the internal review and authorisation of that information. It is the responsibility of the board and senior management of the ADI to ensure that an appropriate set of policies and procedures for the authorisation of data submitted to APRA is in place.

**Authorisation**

12. If an ADI submits information under this reporting standard using the ‘Direct to APRA’ software, it will be necessary for an officer of the ADI to digitally sign, authorise and encrypt the relevant data. For this purpose, APRA’s certificate authority will issue ‘digital certificates’, for use with the software, to officers of the ADI who have authority from the ADI to transmit the data to APRA.

13. If information under this reporting standard is provided in paper form, it must be signed on the front page of the relevant completed form by either:
   
   (a) the Principal Executive Officer of the ADI; or

   (b) the Chief Financial Officer of the ADI (whatever his or her official title may be).

**Minor alterations to forms and instructions**

14. APRA may make minor variations to:

   (a) a form that is part of this reporting standard, and the instructions to such a form, to correct technical, programming or logical errors, inconsistencies or anomalies; or

   (b) the instructions to a form, to clarify their application to the form without changing any substantive requirement in the form or instructions.

15. If APRA makes such a variation it must notify in writing each ADI that is required to report under this reporting standard.
Transitional

16. An ADI must report under the old reporting standard in respect of a transitional reporting period. For these purposes:

old reporting standard means the reporting standard revoked in the determination making this reporting standard (being the reporting standard which this reporting standard replaces).

transitional reporting period means a reporting period under the old reporting standard:

(a) which ended before the date of revocation of the old reporting standard; and

(b) in relation to which the ADI was required, under the old reporting standard, to report by a date on or after the date of revocation of the old reporting standard.

Interpretation - classifications of ADIs

17. In this reporting standard:

Accounting Standard AASB 127 means the accounting standard so made by the Australian Accounting Standards Board.

ADI means an authorised deposit-taking institution within the meaning of the Banking Act 1959.

ADI list means the attached ADI list.

consolidated ADI group means a group comprising:

(a) an ADI that is a highest parent entity; and

(b) each subsidiary (within the meaning of Accounting Standard AASB 127) of that ADI, whether the subsidiary is locally-incorporated or not, other than a subsidiary that is excluded by the instructions attached to this standard.

highest parent entity means an ADI that satisfies all of the following conditions:

(a) it is locally-incorporated;

(b) it has at least one subsidiary (within the meaning of Accounting Standard AASB 127); and

(c) it is not itself a subsidiary (within the meaning of Accounting Standard AASB 127) of an ADI that is locally-incorporated.

locally-incorporated means, subject to paragraph 18, incorporated in Australia.

specialist credit card institution means an ADI whose name appears under the heading ‘Specialist Credit Card Institutions (SCCIs)’ in the ADI list.

18. For the purposes of this reporting standard, Bank of China is taken to be a locally-incorporated ADI.
19. If an ADI is not in the ADI list, then if the ADI engages in credit card issuing or credit card acquiring, or both, and does not otherwise carry on banking business within the meaning of section 5 of the Banking Act 1959, it is taken to be a specialist credit card institution for the purposes of this reporting standard.

20. APRA may in writing determine that an ADI is taken to be a specialist credit card institution for the purposes of this reporting standard (even if, under paragraph 17, 18 or 19, it comes within a different classification).

Interpretation - other definitions

21. In this reporting standard:

- **business days** means ordinary business days, exclusive of Saturdays, Sundays and public holidays.

- **Principal Executive Officer** means the principal executive officer of the ADI for the time being, by whatever name called, and whether or not he or she is a member of the governing board of the entity.

- **reporting period** means a reporting period under paragraph 6 or, if applicable, paragraph 7.
The ADI list

Australian-owned Banks

• Adelaide Bank Limited
• AMP Bank Limited
• Australia and New Zealand Banking Group Limited
• Bank of Queensland Limited
• Bendigo Bank Limited
• Commonwealth Bank of Australia
• Commonwealth Development Bank of Australia Limited (a subsidiary of Commonwealth Bank of Australia)
• Elders Rural Bank Limited
• Macquarie Bank Limited
• Members Equity Bank Pty Limited
• National Australia Bank Limited
• St George Bank Limited
• Suncorp-Metway Limited
• Westpac Banking Corporation

Foreign Subsidiary Banks

• Arab Bank Australia Limited
• Bank of China (Australia) Limited
• Bank of Cyprus Australia Pty Limited
• BankWest (the trading name of Bank of Western Australia Limited, a foreign subsidiary bank following its sale to Bank of Scotland in December 1995)
• Citigroup Pty Limited
• HSBC Bank Australia Limited
• ING Bank (Australia) Limited
• Investec Bank (Australia) Limited
• Laiki Bank (Australia) Limited
• NM Rothschild & Sons (Australia) Limited
• Rabobank Australia Limited (a subsidiary of Rabobank Nederland from October 1994)

**Branches of Foreign Banks**

• ABN AMRO Bank N.V.
• Bank of America, National Association
• Bank of China (subject to depositor protection provisions of the Banking Act 1959)
• Bank of Tokyo-Mitsubishi UFJ, Ltd
• Barclays Capital (the trading name of Barclays Bank plc)
• BNP Paribas
• Citibank N.A.
• Credit Suisse
• Deutsche Bank AG
• HBOS Treasury Services plc
• HSBC Bank plc
• ING Bank NV
• JPMorgan Chase Bank, National Association
• Mizuho Corporate Bank, Ltd
• Oversea-Chinese Banking Corporation Limited
• Rabobank Nederland (the trading name of Co-operative Central Raiffeisen-Boerenleenbank B.A.)
• Royal Bank of Canada
• Société Générale
• Standard Chartered Bank
• State Bank of India
• State Street Bank and Trust Company
• The International Commercial Bank of China
• The Royal Bank of Scotland Plc
• The Toronto-Dominion Bank
• Taiwan Business Bank
• UBS AG
• United Overseas Bank Limited
• WestLB AG

**Building Societies**
• ABS Building Society Ltd
• B & E Ltd
• Greater Building Society Ltd
• Heritage Building Society Limited
• Home Building Society Ltd
• Hume Building Society Ltd
• IMB Ltd
• Lifeplan Australia Building Society Limited
• Mackay Permanent Building Society Ltd
• Maitland Mutual Building Society Limited
• Newcastle Permanent Building Society Ltd
• Pioneer Permanent Building Society Limited
• The Rock Building Society Limited
• Wide Bay Australia Ltd

**Credit Unions**
• Alliance One Credit Union Ltd
• AMP Employees' & Agents Credit Union Limited
• Austral Credit Union Limited
• Australian Central Credit Union Limited
• Australian Country Credit Union Ltd (trading as Reliance Credit Union)
• Australian Defence Credit Union Ltd
• AWA Credit Union Limited
• Bananacoast Community Credit Union Ltd
• Bankstown City Credit Union Ltd
• Berrima District Credit Union Ltd
• Big Sky Credit Union Ltd
• Blue Mountains and Riverlands Community Credit Union Ltd
• Broadway Credit Union Ltd
• Calare Credit Union Ltd
• CAPE Credit Union Limited
• Capital Credit Union Ltd
• Capricornia Credit Union Ltd
• Carboy (SA) Credit Union Limited
• Central Murray Credit Union Limited
• Central West Credit Union Limited
• Circle Credit Co-operative Limited
• Coastline Credit Union Limited
• Collie Miners Credit Union Ltd
• Community Alliance Credit Union Limited
• Community CPS Australia Limited
• Community First Credit Union Limited
• Companion Credit Union Limited
• Comtax Credit Union Limited
• Connect Credit Union of Tasmania Limited
• Country First Credit Union Ltd
• CPS Credit Union Co-operative (ACT) Limited
• Credit Union Australia Ltd
• Credit Union Incitec Pivot Limited
• Croatian Community Credit Union Limited
• CSR and Rinker Employees Credit Union Limited
• Dairy Farmers Credit Union Ltd
• Defence Force Credit Union Limited
• Discovery Credit Union Ltd
• Dnister Ukrainian Credit Co-operative Limited
• ELCOM Credit Union Ltd
• Electricity Credit Union Ltd
• Encompass Credit Union Limited
• Ericsson Employees Credit Co-operative Limited
• Esso Employees' Credit Union Ltd
• Eurobodalla Credit Union Ltd
• Family First Credit Union Limited
• Fire Brigades Employees' Credit Union Limited
• Fire Service Credit Union Limited
• Firefighters & Affiliates Credit Co-operative Limited
• First Option Credit Union Limited
• First Pacific Credit Union Limited
• Fitzroy & Carlton Community Credit Co-operative Limited
• Ford Co-operative Credit Society Limited
• Gateway Credit Union Ltd
• Geelong & District Credit Co-operative Society Limited
• GMH (Employees) Q.W.L. Credit Co-operative Limited
• Goldfields Credit Union Ltd
• Gosford City Credit Union Ltd
• Goulburn Murray Credit Union Co-operative Limited
• H.M.C. Staff Credit Union Ltd
• Heritage Isle Credit Union Limited
• Hibernian Credit Union Limited
• Holiday Coast Credit Union Ltd
• Horizon Credit Union Ltd
• Hoverla Ukrainian Credit Co-operative Ltd
• Hunter Mutual Limited
• Hunter United Employees' Credit Union Limited
• Industries Mutual Credit Union Limited
• Intech Credit Union Limited
• Island State Credit Union Ltd
• Karpaty Ukrainian Credit Union Limited
• La Trobe Country Credit Co-operative Limited
• La Trobe University Credit Union Co-operative Limited
• Laboratories Credit Union Ltd
• Latvian Australian Credit Co-operative Society Limited
• Lithuanian Co-operative Society (Talka) Limited
• Lysaght Credit Union Ltd
• MacArthur Credit Union Ltd
• Macaulay Community Credit Co-operative Limited
• Macquarie Credit Union Limited
• Maleny and District Community Credit Union Limited
• Manly Warringah Credit Union Ltd
• Maritime Workers of Australia Credit Union Ltd
• Maroondah Credit Union Ltd
• MECU Limited
• Melbourne University Credit Union Limited
• Memberfirst Credit Union Limited
• New England Credit Union Ltd
• Newcom Colliery Employees' Credit Union Ltd
• Northern Inland Credit Union Ltd
• Nova Credit Union Limited
• NSW Teachers Credit Union Ltd
• Old Gold Credit Union Co-operative Limited
• Orana Credit Union Ltd
• Orange Credit Union Limited
• Phoenix (NSW) Credit Union Ltd
• Plenty Credit Co-operative Limited
• Police & Nurses Credit Society Limited
• Police Association Credit Co-operative Limited
• Police Credit Union Limited
• Polish Community Credit Union Ltd
• Power Credit Union Limited
• Powerstate Credit Union Ltd
• Pulse Credit Union Limited
• Qantas Staff Credit Union Limited
• Queensland Community Credit Union Limited
• Queensland Country Credit Union Ltd
• Queensland Police Credit Union Limited
• Queensland Professional Credit Union Ltd
• Queensland Teachers' Credit Union Limited
• Queenslanders Credit Union Limited
• Railways Credit Union Limited
- RegionalOne Credit Union Limited
- Resources Credit Union Limited
- RTA Staff Credit Union Limited
- Satisfac Direct Credit Union Limited
- Savings and Loans Credit Union (S.A.) Ltd
- Security Credit Union Ltd
- Select Credit Union Ltd
- Service One Credit Union Ltd
- SGE Credit Union Limited
- Shell Employees' Credit Union Limited
- South West Slopes Credit Union Ltd
- Southern Cross Credit Union Limited
- South-West Credit Union Co-operative Limited
- St Mary's Swan Hill Co-operative Credit Society Limited
- St Patrick's Mentone Co-operative Credit Society Limited
- Statewest Credit Society Limited
- Sutherland Credit Union Ltd
- Sutherland Shire Council Employees' Credit Union Ltd
- Sydney Credit Union Ltd
- Tartan Credit Union Ltd
- The Broken Hill Community Credit Union Ltd
- The Gympie Credit Union Ltd
- The Police Department Employees' Credit Union Limited
- The Summerland Credit Union Limited
- The TAFE and Community Credit Union Limited
- The University Credit Society Limited
- Traditional Credit Union Limited
• TransComm Credit Co-operative Limited
• Uni Credit Union Ltd
• United Credit Union Limited
• Victoria Teachers Credit Union Limited
• Wagga Mutual Credit Union Ltd
• Warwick Credit Union Ltd
• WAW Credit Union Co-operative Limited
• Westax Credit Society Ltd
• Western City Credit Union Ltd
• Woolworths/Safeway Employees' Credit Co-operative Limited
• Wyong Council Credit Union Ltd
• Yennora Credit Union Ltd

Specialist Credit Card Institutions (SCCIs)

Foreign-owned SCCIs
• GE Capital Finance Australia
• GE Finance Australasia Pty Ltd

Locally Incorporated SCCIs
• MoneySwitch Limited

Other ADIs

These companies are run by industry bodies and provide services (eg payments clearing) to member building societies and credit unions.

• Australian Settlements Limited
• Credit Union Services Corporation (Australia) Limited
• Indue Ltd

One ADI that provides general banking services which does not fall into the other categories.

• Cairns Penny Savings & Loans Limited
Authorised Non-Operating Holding Companies

- HBOS Australia Pty Ltd
## ARF 113.0 Market Risk

<table>
<thead>
<tr>
<th>Australian Business Number</th>
<th></th>
</tr>
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<tbody>
<tr>
<td>Institution Name</td>
<td></td>
</tr>
<tr>
<td>Reporting Period</td>
<td></td>
</tr>
<tr>
<td>Measurement Unit</td>
<td>Millions to two decimal places for banks</td>
</tr>
<tr>
<td></td>
<td>Millions to two decimal places for other ADIs</td>
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<tr>
<td>Reporting Consolidation</td>
<td>Consolidated Group or Licensed ADI</td>
</tr>
</tbody>
</table>
INDEX:
MARKET RISK SUMMARY REPORTS

Standard method

Interest rate risk
  Specific risk.................................................................................................................. Table 1
  General market risk....................................................................................................... Table 2
Equity position risk........................................................................................................ Table 3
Foreign exchange risk.................................................................................................... Table 4

Commodities risk
  Simplified method....................................................................................................... Table 5
  Maturity ladder method............................................................................................... Table 6

Options
  Simplified method....................................................................................................... Table 7
  Delta-plus method....................................................................................................... Table 8

Contingent loss method
  Interest rates............................................................................................................... Table 9
  Equities........................................................................................................................ Table 10
  Foreign exchange........................................................................................................ Table 11
  Commodities............................................................................................................... Table 12
Internal model approach

Value-at-Risk method
Value-at-Risk results................................................................................................................. Table 13
Largest daily losses over the quarter............................................................................................ Table 14

Internal limits method
Largest daily levels of limit utilisation.......................................................................................... Table 15
If within limit during the quarter.................................................................................................. Table 16
If limit exceeded during the quarter............................................................................................. Table 17

Stress testing
Yield curve scenarios.................................................................................................................... Table 18
Interest rate volatility scenarios.................................................................................................... Table 19
Equity scenarios............................................................................................................................. Table 20
Exchange rate scenarios................................................................................................................ Table 21
Gold and other precious metals scenarios..................................................................................... Table 22
Base metals scenarios.................................................................................................................... Table 23
Soft commodities scenarios.......................................................................................................... Table 24
Energy commodity scenarios........................................................................................................ Table 25
MARKET RISK SUMMARY REPORT

Standard method

<table>
<thead>
<tr>
<th>A. Interest rate risk</th>
<th></th>
</tr>
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<tbody>
<tr>
<td>a) Specific risk (Total from Table 1)</td>
<td></td>
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<tr>
<td>b) General market risk (Total from Table 2)</td>
<td></td>
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<tr>
<td>c) Interest rate options - simplified method (from Table 7)</td>
<td></td>
</tr>
<tr>
<td>d) Interest rate options - delta-plus method (from Table 8)</td>
<td></td>
</tr>
<tr>
<td>e) Interest rate options - contingent loss method (Total from Table 9)</td>
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<tr>
<td><strong>Total interest rate risk</strong></td>
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<table>
<thead>
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<th>B. Equity position risk</th>
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<tbody>
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<td>a) Equity position risk (Total from Table 3)</td>
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<tr>
<td>b) Equity options - simplified method (from Table 7)</td>
<td></td>
</tr>
<tr>
<td>c) Equity options - delta-plus method (from Table 8)</td>
<td></td>
</tr>
<tr>
<td>d) Equity options - contingent loss method (Total from Table 10)</td>
<td></td>
</tr>
<tr>
<td><strong>Total equity position risk</strong></td>
<td></td>
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</table>

<table>
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<th>C. Foreign exchange risk</th>
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<tbody>
<tr>
<td>a) Foreign exchange risk (Total from Table 4)</td>
<td></td>
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<tr>
<td>b) Foreign exchange options - simplified method (from Table 7)</td>
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</tr>
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<td>c) Foreign exchange options - delta-plus method (from Table 8)</td>
<td></td>
</tr>
<tr>
<td>d) Foreign exchange options - contingent loss method (Total from table 11)</td>
<td></td>
</tr>
<tr>
<td><strong>Total foreign exchange risk</strong></td>
<td></td>
</tr>
</tbody>
</table>
### D. Commodities risk

- a) Simplified method (Total from Table 5)
- b) Maturity ladder method (Total from Table 6)
- c) Commodity options - simplified method (from Table 7)
- d) Commodity options - delta-plus method (from Table 8)
- e) Commodity options - contingent loss method (Total from Table 12)

**Total commodities risk**

### Internal model

- VaR capital charge (from Table 13)
- Internal limit capital charge (from Table 16 or Table 17)

**Total market risk capital charge**

### Comments
STANDARD METHOD

A. Interest rate risk

Table 1: Specific risk

<table>
<thead>
<tr>
<th>Risk category</th>
<th>Position</th>
<th>Gross market value</th>
<th>Specific risk weight</th>
<th>Capital charge</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Position</td>
<td>Gross market value</td>
<td>Specific risk weight</td>
<td>Capital charge</td>
</tr>
<tr>
<td>a) Government</td>
<td>Short</td>
<td></td>
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<tr>
<td></td>
<td>Long</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>b) Qualifying residual term to maturity 6 months or less</td>
<td>Short</td>
<td></td>
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<td></td>
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<tr>
<td></td>
<td>Long</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>c) Qualifying residual term to maturity 6 to 24 months</td>
<td>Short</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Long</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>d) Qualifying residual term to maturity exceeding 24 months</td>
<td>Short</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Long</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>e) Other</td>
<td>Short</td>
<td></td>
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<tr>
<td></td>
<td>Long</td>
<td></td>
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<tr>
<td><strong>Total capital charge</strong></td>
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</table>

Comments

Federal Register of Legislative Instruments: F2006L02039

ARF 113.0 - 6
STANDARD METHOD

A. Interest rate risk

Table 2: General market risk

<table>
<thead>
<tr>
<th>Currency</th>
<th>Method</th>
</tr>
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</table>

Note: Enter total general market risk charge in the top line only of the last column

<table>
<thead>
<tr>
<th>Time bands</th>
<th>Net risk weighted positions</th>
<th>Total general market risk charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coupon 3% or more</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coupon &lt; 3% or Duration method</td>
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<td></td>
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</table>

Total capital charge across all currencies

Comments

Federal Register of Legislative Instruments F2006L02039
### STANDARD METHOD

B. Equity position risk

Table 3

<table>
<thead>
<tr>
<th>Country</th>
<th>Gross positions for specific risk</th>
<th></th>
<th></th>
<th>Total specific risk charge</th>
<th>Net positions for general market risk</th>
<th>General market risk charge</th>
<th>Total market risk charge</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Positions attracting 8% specific risk</td>
<td>Positions attracting 4% specific risk</td>
<td>Positions attracting 2% specific risk</td>
<td></td>
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</table>

Total capital charge across all countries

Comments
### STANDARD METHOD

**C. Foreign exchange risk**

**Table 4**

<table>
<thead>
<tr>
<th>Currency</th>
<th>Net open position</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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Higher of aggregate net short/long open positions (1)  
Gold (2)  
Capital charge (8% of the sum of the absolute values of 1 and 2)

**Comments**
# STANDARD METHOD

## D. Commodities risk

**Table 5: Simplified method**

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Total short position</th>
<th>Total long position</th>
<th>Capital charge (15% of net open position + 3% of the gross position)</th>
</tr>
</thead>
<tbody>
<tr>
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<tr>
<td>Total capital charge across all commodities</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

**Comments**


## STANDARD METHOD

### D. Commodities risk

Table 6: Maturity ladder method

| Commodity | 0 - 1 month Long position | 0 - 1 month Short position | 1 - 3 months Long position | 1 - 3 months Short position | 3 - 6 months Long position | 3 - 6 months Short position | 6 - 12 months Long position | 6 - 12 months Short position | 1 - 2 years Long position | 1 - 2 years Short position | 2 - 3 years Long position | 2 - 3 years Short position | Over 3 years Long position | Over 3 years Short position | Total capital charge |
|-----------|---------------------------|-----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|---------------------------|---------------------------|--------------------------|
|           |                           |                             |                            |                            |                            |                            |                            |                            |                            |                            |                            |                            |                            |                           |                           |                          |

Total capital charge across all commodities

Comments

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Federal Register of Legislative Instruments F2006L02039

July 2006

ARF 113.0 - 11
STANDARD METHOD

OPTIONS

Table 7: Simplified method

Report the capital charge for each category.

<table>
<thead>
<tr>
<th>Position</th>
<th>A. Interest rates</th>
<th>B. Equities</th>
<th>C. Foreign exchange</th>
<th>D. Commodities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased put &amp; long underlying</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchased call &amp; short underlying</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchased put</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchased call</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total capital charge</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Comments

---

STANDARD METHOD

Table 8: Delta-plus method

Report the capital charge for each category.

<table>
<thead>
<tr>
<th>Position</th>
<th>A. Interest rates</th>
<th>B. Equities</th>
<th>C. Foreign exchange</th>
<th>D. Commodities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gamma impact</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vega impact</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total capital charge</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Comments
STANDARD METHOD

Contingent loss method

Table 9: Interest rate options

Report maximum loss. Method refers to choice of break up of maturity ladder.

<table>
<thead>
<tr>
<th>Currency</th>
<th>Method</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Time bands</th>
<th>Maximum loss</th>
<th>Total capital charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coupon 3% or more</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coupon &lt; 3% or Duration method</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Enter total capital charge in the top line only of the last column

Total capital charge across all currencies

Comments

Federal Register of Legislative Instruments F2006L02039
### Standard Method

Contingent loss method

Table 10: Equity options

<table>
<thead>
<tr>
<th>Country</th>
<th>Maximum loss</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total capital charge across all countries

Comments

Federal Register of Legislative Instruments F2006L02039
STANDARD METHOD

Contingent loss method

Table 11: Foreign exchange options

<table>
<thead>
<tr>
<th>Currency pair</th>
<th>Maximum loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currency 1</td>
<td>Currency 2</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Total capital charge across all currency pairs</td>
<td></td>
</tr>
</tbody>
</table>

Comments
STANDARD METHOD

Contingent loss method

Table 12: Commodity options

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Maximum loss</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Total capital charge across all commodities</td>
<td></td>
</tr>
</tbody>
</table>

Comments


INTERNAL MODEL METHOD

Value-at-risk method

Table 13: Value-at-Risk results

<table>
<thead>
<tr>
<th>End of quarter</th>
<th>Average VaR over past 60 trading days</th>
<th>Backtesting exceptions</th>
<th>Scaling factor</th>
<th>Scaled average VaR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Interest rates**

<table>
<thead>
<tr>
<th>Either</th>
<th>General market risk</th>
<th>Specific risk</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Or</td>
<td>Sub-portfolio containing specific risk</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sub-portfolio not containing specific risk</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Equities**

<table>
<thead>
<tr>
<th>Either</th>
<th>General market risk</th>
<th>Specific risk</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Or</td>
<td>Sub-portfolio containing specific risk</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Foreign exchange**

<table>
<thead>
<tr>
<th>Commodities</th>
<th>Total</th>
</tr>
</thead>
</table>

**Commodities**

<table>
<thead>
<tr>
<th>Total</th>
<th>Capital charge</th>
</tr>
</thead>
</table>

**Comments**
INTERNAL MODEL METHOD

Value-at-risk method

Table 14: Largest daily losses over the quarter

<table>
<thead>
<tr>
<th></th>
<th>Loss</th>
<th>Date</th>
<th>VaR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Comments

Federal Register of Legislative Instruments F2006L02039
INTERNAL MODEL METHOD

Internal limits method

Table 15: Largest daily levels of limit utilisation
(expressed as a percentage of the total internal limit) over the quarter

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Comments

INTERNAL MODEL METHOD

Table 16: If within limit throughout the quarter:

<table>
<thead>
<tr>
<th>Interest rates</th>
<th>Internal limit</th>
<th>10 day/99% equivalent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchanges</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commodities</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total all asset classes</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scaling factor</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital charge (scaling factor x total)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Backtesting exceptions based on actual profit &amp; loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Backtesting exceptions based on hypothetical profit &amp; loss</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Comments
### INTERNAL MODEL METHOD

Table 17: If limit exceeded during the quarter:

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peak end of day exposure during the quarter</td>
<td></td>
</tr>
<tr>
<td>Penalty factor</td>
<td>1.2</td>
</tr>
<tr>
<td>Scaling factor</td>
<td></td>
</tr>
<tr>
<td>Capital charge (peak exposure x penalty factor x scaling factor)</td>
<td></td>
</tr>
<tr>
<td>Backtesting exceptions based on actual profit &amp; loss</td>
<td></td>
</tr>
<tr>
<td>Backtesting exceptions based on hypothetical profit &amp; loss</td>
<td></td>
</tr>
</tbody>
</table>

Comments

---

Federal Register of Legislative Instruments: F2006L02039

ARF 113.0 - 20
### Stress Testing

#### Table 18: Yield Curve Scenarios

<table>
<thead>
<tr>
<th>Currency</th>
<th>Change in Yield (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yield Curve Scenario 1</td>
</tr>
<tr>
<td></td>
<td>Cash 90 days</td>
</tr>
<tr>
<td>Yield Curve Scenario 1</td>
<td>+20</td>
</tr>
<tr>
<td>Yield Curve Scenario 2</td>
<td>-20</td>
</tr>
</tbody>
</table>
STRESS TESTING

Table 19: Interest rate volatility scenarios

<table>
<thead>
<tr>
<th>Currency</th>
<th>Change in implied volatility (%)</th>
<th>Volatility scenario 1</th>
<th>Volatility scenario 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>250</td>
<td>-75</td>
</tr>
</tbody>
</table>

Comments
### STRESS TESTING

Table 20: Equity scenarios

<table>
<thead>
<tr>
<th>National market</th>
<th>Change in implied volatility (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>+200</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change in price (%)</th>
</tr>
</thead>
</table>

Comments

### STRESS TESTING

Table 21: Exchange rate scenarios

<table>
<thead>
<tr>
<th>Currency</th>
<th>Change in implied volatility (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>+100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change in price (%)</th>
</tr>
</thead>
</table>

Comments
Table 22: Gold and other precious metal scenarios

<table>
<thead>
<tr>
<th>Precious metal</th>
<th>Change in implied volatility (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>+100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change in price (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

Comments

Table 23: Base metals scenarios

<table>
<thead>
<tr>
<th>Base metal</th>
<th>Change in implied volatility (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>+200</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change in price (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

Comments
STRESS TESTING

Table 24: Soft commodities scenarios

<table>
<thead>
<tr>
<th>Soft commodity</th>
<th>Change in implied volatility (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>+200</td>
</tr>
</tbody>
</table>

Change in price (%)

Comments

STRESS TESTING

Table 25: Energy commodity scenarios

<table>
<thead>
<tr>
<th>Energy commodity</th>
<th>Change in implied volatility (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>+200</td>
</tr>
</tbody>
</table>

Change in price (%)

Comments
Reporting Form ARF 113.0
Market Risk
Instruction Guide

General directions and notes

Reporting entity¹

For locally incorporated authorised deposit-taking institutions (ADIs), data should be prepared for the consolidated group i.e. the global operations of the ADI and all its controlled entities (where relevant), consolidated in accordance with Australian accounting standards.

Foreign ADIs² operating through branches in Australia and Specialist Credit Card Institutions (SCCIs) are not required to complete this form.

Securitisation deconsolidation principle

Except where stated otherwise on this form, reporting entities must treat any securitisation program special purpose vehicles (SPVs) in which the ADI (or a member of its consolidated group) participates in accordance with APRA’s clean sale and separation requirements as non-consolidated independent third parties. As a result, for reporting purposes all assets, liabilities, revenues and expenses of these SPVs must be excluded from the ADI’s reported amounts. Where relevant, report on this form any exposure to or other transaction between the ADI and any such SPV as if such transaction was conducted with an independent third party, regardless of whether the SPV or its assets is consolidated for accounting purposes.

APRA's clean sale and separation requirements are set out in APS 120 Funds Management and Securitisation and related Guidance Notes AGN 120.3 Purchase and Supply of Assets (including Securities Issued by SPVs) (AGN 120.3) and AGN 120.1 Disclosure and Separation. Whenever the clean sale and separation requirements are not met, all the assets, liabilities, revenues and expenses of the SPV are to be consolidated with the ADI’s reported amounts.

Note: ADIs should consult APRA in case of doubt as to whether a subsidiary or controlled entity that engaged in non-financial operations should be consolidated at Level 2 for capital adequacy purposes.

¹ By individual agreement with APRA.
² These instructions and any relevant form are to apply to the Bank of China as if its branch operations in Australia constituted a locally-incorporated bank. Accordingly: (a) the Bank of China is to undertake stand-alone or ‘Licensed ADI’ reporting in respect of the bank’s Australian branch operations, as if those operations constituted a locally-incorporated bank; and (b) ‘Consolidated Group’ reporting for Bank of China is to encompass: (i) those branch operations (as if they constituted a locally-incorporated bank); and (ii) any locally-incorporated subsidiary of the Bank of China.
'Controlled entities’

This is defined in accordance with accounting standard *AASB 127 Consolidated and Separate Financial Statement* (AASB 127) and *AASB 3 Business Combinations* (AASB 3).

The basis of consolidation required in this form is in accordance with the prudential Consolidated ADI group. The prudential consolidated group should also be determined in accordance with Australian accounting standards, notably AASB 127 and AASB 3:

1. Include the following:
   - all controlled banking entities, securities entities and other financial entities (e.g. finance companies, money market corporations, stockbrokers and leasing companies).

2. Exclude subsidiary entities involved in the following business activities:
   - insurance businesses (including friendly societies and health funds);
   - acting as manager, responsible entity, approved trustee, trustee or similar role in relation to funds management or the securitisation of assets;
   - non-financial (commercial) operations; and
   - special purpose vehicles whose assets have satisfied the clean sale requirements set down in AGN 120.3 (refer Securitisation deconsolidation principle).

**Reporting period**

The form is to be completed as at the last day of the stated reporting quarter. Locally incorporated banks, special service providers (SSPs), Credit Unions, Cairns Penny Savings & Loans Limited and Building Societies should submit the completed form to APRA within 20 business days after the end of the relevant reporting quarter.

**Unit of measurement**

Banks, SSPs, Building Societies, Credit Unions and Cairns Penny Savings & Loans Limited are asked to complete the form in millions of Australian dollars rounded to two decimal places.

Amounts denominated in foreign currency are to be converted to AUD in accordance with *AASB 121 The Effects of Changes in Foreign Exchange Rates* (AASB 121).
The general requirements of AASB 121 for translation are:

1. Foreign currency monetary items outstanding at the reporting date must be translated at the spot rate at the reporting date; \(^3\)

2. Foreign currency non-monetary items that are measured at historical cost in a foreign currency must be translated using the exchange rate at the date of the transaction; \(^4\)

3. Foreign currency non-monetary items that are measured at fair value will be translated at the exchange rate at the date when fair value was determined.

Transactions arising under foreign currency derivative contracts at the reporting date must be prepared in accordance with *AASB 139 Financial Instruments: Recognition and Measurement (AASB 139)*. However, those foreign currency derivatives that are not within the scope of AASB 139 (e.g. some foreign currency derivatives that are embedded in other contracts) remain within the scope of AASB 121.

For APRA purposes equity items must be translated using the foreign currency exchange rate at the date of investment or acquisition. Post acquisition changes in equity are required to be translated on the date of the movement.

As foreign currency derivatives are measured at fair value, the currency derivative contracts are translated at the spot rate at the reporting date.

Exchange differences should be recognised in profit and loss in the period which they arise. For foreign currency derivatives, the exchange differences would be recognised immediately in profit and loss if the hedging instrument is a fair value hedge. For derivatives used in a cash flow hedge, the exchange differences should be recognised directly in equity.

The ineffective portion of the exchange differences in all hedges would be recognised in profit and loss.

4. Translation of financial reports of foreign operations.

A foreign operation is defined in AASB 121 as meaning an entity that is a subsidiary, associate, joint venture or branch of a reporting entity, the activities of which are based or conducted in a country or currency other than those of the reporting entity.

- Exchange differences relating to foreign currency monetary items that form part of the net investment of an entity in a foreign operation, must be recognised as a separate component of equity.

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\(^3\) Monetary items are defined to mean units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency. Spot rate means the exchange rate for immediate delivery.

\(^4\) Examples of non-monetary items include amounts prepaid for goods and services (e.g. prepaid rent); goodwill; intangible assets; physical assets; and provisions that are to be settled by the delivery of a non-monetary asset.
Translation of financial reports should otherwise follow the requirements in AASB 121.

**Basis of preparation**

Capital charges for each relevant component of the market risk capital charge should be reported on this form. The total capital charge for each asset class assessed using the standard method is then calculated by summing the various components. Finally, the total market risk capital charge is to be entered as the sum of the standard method charges for each asset class plus any charge reported under the Value at Risk (VaR) or Internal Limit approaches. The total market risk capital charge must then be multiplied by a constant factor of 12.5 and reported on ARF 110.0 Capital Adequacy.

References in this Instruction Guide to a Prudential Standard are references to Prudential Standard APS 113 Capital Adequacy: Market Risk and associated guidance notes. For commentary purposes, a box labeled “Comments” has been added to every table.

**Specific instructions**

**Supporting tables**

1. **Standard method**
   
   **Interest rate risk**
   
   All positions forming part of the trading book in debt or other interest rate-related securities, including interest rate derivatives, forward foreign exchange and quasi-debt securities that behave like debt (refer paragraph 3 of Guidance Note AGN 113.3 The Standard Method (AGN 113.3)), should be reported in Tables 1 and 2.

   The total capital requirement for interest rate risk consists of charges for specific risk, general market risk, and interest rate-sensitive options risks.

   **Table 1: Specific risk**
   
   The sum of the market values of individual positions in each issuer category should be reported in the first and second column for short and long positions respectively. In summing the market values within each category, if there is a matched position in the same security (i.e. both the issuer and issue are identical), the matching positions may be offset and omitted from the calculation of specific interest rate risk (refer paragraphs 5, 29, 30 and 32 to 35 of AGN 113.3).

   Specific risk is to be assessed according to the classification of issuer of the security or underlying security in the case of derivative instruments. Issuers are classified into the categories of government, qualifying and other, as defined in paragraphs 7 to 10 of AGN 113.3. Instruments with issuers in the qualifying category should be further classified according to the residual term to final maturity of the security or underlying security.
The capital charge is calculated as the risk weight multiplied by the gross market value and is reported in the last column of Table 1. The total specific risk charge is also reported in item “A a)” in the Market Risk Summary Report.

**Table 2: General market risk**

The data to be entered into Table 2 should be calculated according to the methodology detailed in paragraphs 12 to 35 of AGN 113.3. These calculations should be performed and the results reported on Table 2 separately (without offsetting across currencies) for each currency in which material interest rate exposures are held and in aggregate for all currencies in which there are non-material interest rate exposures. The Prudential Standard allows the choice between three methods for the calculation of general interest rate risk (the maturity, duration and pre-processing methods). The pre-processing method should only be used with APRA approval. For each currency, specify the method used in calculating the capital charge. If more than one method is being used for a currency, report the calculations for each method on a different currency and method combination table. The Prudential Standard allows the offsetting of positions between the duration and pre-processing methods. ADIs performing such offsetting should report those positions (netted across the two methods) as pre-processing positions.

The net long and net short risk weighted positions for each time band should be reported according to the definitions of the bands in Table 2 of AGN 113.3. Offsetting of positions is allowable according to the requirements set out in paragraphs 32 to 35 of AGN 113.3.

The total general market risk charge is to be reported in the top line of the final column of Table 2 for each currency and method combination. This is the sum of the net position and vertical and horizontal disallowances (calculated in accordance with paragraphs 12 to 35 of AGN 113.3).

The total general market risk charge summed across all currencies and methods will be entered in the final row of Table 2 and will also be reported at item “A b)” in the Market Risk Summary Report.

**Table 3: Equity position risk**

Positions are to be reported on a market-by-market basis, with a separate calculation for each national market in which the ADI holds equities to be reported as a separate line. Equities with listings in more than one market should be reported as positions in the market of their primary listing.

An "equity position" is the net of short and long exposures to an individual company. Specific risk is assessed as the sum of the net short or long exposure to individual companies irrespective of sign.

**Positions attracting 8 per cent specific risk charge**

The capital charge for specific risk is equal to 8 per cent of the gross position (i.e. the sum of the absolute value of all long equity positions and of all short equity positions). The exceptions to this rule are where:
• the portfolio is both liquid and well diversified (refer to paragraphs 39 to 41 of AGN 113.3);

• the position is in an approved index contract (refer to paragraph 47 of AGN 113.3); and

• the ADI is engaged in certain arbitrage transactions (refer to paragraphs 49 to 53 of AGN 113.3).

The gross value of all positions not eligible for any of these exceptions is to be reported in the second column: “Positions attracting 8% specific risk”.

**Positions attracting 4 per cent specific risk charge**

A portfolio is both liquid and well diversified if it satisfies the conditions outlined in paragraphs 39 to 41 of AGN 113.3. The specific risk charge is then equal to 4 per cent of the gross position. The gross value of all positions subject to a 4 per cent specific risk charge is to be reported in the third column: “Positions attracting 4% specific risk”.

**Positions attracting 2 per cent specific risk charge**

Positions eligible for a 2 per cent specific risk capital charge are set out in paragraphs 47 and 49 to 53 of AGN 113.3. The gross value of all positions subject to a 2 per cent specific risk charge is to be reported in the fourth column: “Positions attracting 2% specific risk”.

**Total specific risk charge**

The total specific risk charge is the sum of 8 per cent of column 1, plus 4 per cent of column 2, plus 2 per cent of column 3. This amount is to be reported in the fifth column: “Total Specific Risk Charge”.

**Net positions for general market risk**

The net position in each market is to be reported in column 6. The net position in each equity market is calculated as the difference between the sum of the long positions and the sum of the short positions. An overall net short position in a market should be indicated by a negative sign.

**General market risk charge**

The general market risk charge for each market, to be reported in column 7, is 8 per cent of the absolute value of the net position.

**Total market risk charge**

The total market risk charge is the sum of the value of column 5 (total specific risk charge) and the value of column 7 (general market risk charge). For each market this total is to be reported in column 8: “Total Market Risk Charge”.

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**ARF 113.0 Instructions - 6**

Federal Register of Legislative Instruments F2006L02039
The total market risk charge across all countries will equal to the sum of column 7. This capital charge number will be reported as Equity Position Risk (item “B a”) on the Market Risk Summary Report.

Table 4: Foreign exchange risk

For each foreign currency in which the ADI has positions, report separately the Australian dollar equivalent of the net open position in that currency.

The net open position in a particular currency should be calculated in accordance with paragraphs 57 to 67 of AGN 113.3. In calculating the net open position in each currency:

- include all transactions contracted as at the reporting date (i.e. both traded and non-traded positions) excluding any structural positions; and
- forward positions should be valued at current spot market exchange rates or using net present values.

Report the larger of the sum of the net long positions or the sum of the net short positions at box (1).

Report the Australian dollar equivalent of the net open position in gold (including sign) at box (2). This should be calculated in the same way as for foreign currencies. Gold positions (in Australian dollar equivalent amounts) may be segmented into a gold exposure and a USD exposure.

The capital charge will be calculated as 8 per cent of the sum of the absolute values of items 1 and 2. This will also be reported at item “C a)” on the Market Risk Summary Report.

Commodities

ADIs which use the simplified approach to calculate the capital charge for commodities risk should complete Table 5. ADIs which use the maturity ladder approach should complete Table 6.

All commodity positions, both on- and off-balance sheet, which are affected by changes in commodity prices should be included. This includes commodity forwards, commodity futures and commodity swaps. It also includes the delta-equivalent of commodity options (where the delta-plus method for options is used). Commodity derivatives should be converted into notional commodity positions according to the methods set out in paragraph 81 of AGN 113.3.

Each commodity position should first be expressed in terms of the standard unit of measurement (barrels, kilos, grams, etc) and then converted into Australian dollars using spot rates applying at the close of business on the reporting date (report the Australian dollar figure). If prior approval has been obtained from APRA, positions in foreign currency denominated commodities may be segmented into a commodity exposure and a foreign currency exposure.
The capital charge must be calculated separately for each commodity. Positions in different commodities may not, as a general rule, be offset (refer to paragraph 74 of AGN 113.3 for details of permissible offsetting).

**Table 5: Simplified method**

List each separate commodity in which your ADI has positions. Report the total short position and the total long position in each commodity.

In the last column report the capital charge for each commodity. This is calculated as 15 per cent of the net open position (the difference between the total short position and the total long position) plus 3 per cent of the gross position (the sum of the absolute values of the total short position and the total long position).

The capital charges for each individual commodity will be summed to give the total capital charge for commodities risk under the simplified method. This will then be reported at item “D a)” on the Market Risk Summary Report.

**Table 6: Maturity ladder method**

List each separate commodity in which your ADI has positions. In each of the maturity bands, report the total long position and the total short position in each commodity. Physical stocks should be allocated to the first time band. Positions in commodity derivatives should be assigned maturities following the treatment set out in paragraph 81 of AGN 113.3.

In the last column report the total capital charge for each commodity. The method for calculating the capital charge is outlined in paragraphs 76 to 80 of AGN 113.3. A separate calculation must be performed for each commodity in which the ADI has a position.

The capital charges for each individual commodity will be summed to give the total capital charge for commodities risk under the maturity ladder method and reported in the last row of Table 6. This will also be reported at item “D b)” on the Market Risk Summary Report.

**Table 7: Options - Simplified method**

The simplified method may only be used by those ADIs handling a limited range of purchased options. The method requires that options and any associated underlying positions be excluded from the asset class calculations detailed in tables 1 to 6. Instead a separate capital charge is calculated for each option portfolio.

The method for calculating the capital charge on an options position depends on whether the position is covered or naked. Option positions, which are partially covered, should be separated into a fully covered position and a naked position.

For both covered and naked positions, if positions do not fall within the trading book, for example options on certain foreign exchange or commodities positions, ADIs may use the book value rather than market value.
For each asset class (interest rates, equities, foreign exchange and commodities) report the capital charge (refer to paragraphs 91 and 92 of AGN 113.3) for the following positions separately:

Covered positions: purchased put and long underlying
purchased call and short underlying

Naked positions: purchased put
purchased call

The sum of the capital charges for all positions within each asset class will be reported in the totals. These totals for each asset class will then be entered on the Market Risk Summary Report at items “A c)”, “B b)”, “C b)” and “D e)” respectively.

Table 8: Options – Delta-plus method

Those ADIs that have obtained approval from APRA to use the delta-plus method, must complete Table 8.

ADIs using this method must first calculate the delta-equivalent position of each option. The delta-equivalent position is calculated by multiplying the market value of the underlying position by the absolute value of the delta calculated on that position.

For options with interest rate instruments as the underlying, the delta-equivalent position must be included in the positions and capital charge calculations entered in Tables 1 and 2 in accordance with the instructions applicable to interest rate instruments.

For options with equity instruments as the underlying, the delta-equivalent position must be incorporated in Table 3 in the appropriate column as part of a gross position for specific risk depending on whether the underlying instrument attracts an 8 per cent, 4 per cent or 2 per cent specific risk charge. The delta-equivalent position must also be included in Table 3 in the column entitled Net Position for General Market Risk. The specific risk and general market risk treatment should be in accordance with the instructions for Table 3.

For options with foreign exchange or gold as the underlying, the delta-equivalent position must be entered in Table 4 in accordance with reporting instructions applicable to foreign exchange and gold. Note that for an option over a currency pair not involving AUD, two delta-equivalent positions must be entered into Table 4, one corresponding to the currency bought and the other corresponding to the currency sold. For currency pairs involving AUD, only one delta-equivalent position is entered in Table 4 for the foreign currency.

For options with commodities as the underlying, the delta-equivalent position must be slotted into either the simplified method (Table 5) or the maturity ladder method (Table 6). This should be reported in accordance with instructions that apply to commodity risk.
Secondly, ADIs must calculate the gamma impact of each option as detailed in paragraphs 98 to 101 of AGN 113.3. Total gamma impacts must be calculated and reported separately for options over interest rates, equities, foreign exchange and gold, and commodities respectively in Table 8.

Thirdly, vega impacts must be calculated (using the method set out in paragraphs 102 and 103 of AGN 113.3) and reported separately in Table 8 for options over interest rates, equities, foreign exchange and gold, and commodities respectively.

Four totals will be calculated in Table 8 by adding the gamma impact and the vega impact for each of the interest rate, equities, foreign exchange and gold, and commodities categories. These four totals will also be entered on the Market Risk Summary Report at items “A d)”, “B c)”, “C c)” and “D d)” respectively.

Contingent loss method

Those ADIs that have obtained approval from APRA to use the contingent loss method must complete tables 9 to 12. The contingent loss method requires exclusion of the options and any associated hedges in the underlying instrument from the asset class calculations in Tables 1 to 6. Instead a separate capital charge is determined. A scenario matrix is constructed that contains changes in the value of the options portfolio and hedges given specified changes in underlying prices and volatility. A capital charge for general market risk is then determined by taking the largest loss that appears in the matrix.

Specific risk charges, for those options where specific risk is present, are to be separately assessed based on the delta-equivalent amount of each option. For options with interest rate instruments as the underlying, the delta-equivalent positions must be included in the positions and capital charge calculations entered in Table 1. For equity options the delta-equivalent position must be included in Table 3 as part of the gross position for specific risk.

Table 9: Contingent loss method - Interest rate options

A different scenario matrix must be established for each time band and by each currency (refer to paragraphs 104 to 109 of AGN 113.3). ADIs that have obtained APRA approval to do so, may base the calculation on a minimum of six sets of time bands.

Specific instructions:

1. for each currency, select the method used in calculating the capital charge;

2. report the maximum loss figure obtained from the scenario matrix constructed for each time band in each currency;

3. sum each column to obtain a maximum loss figure for all time bands by each currency. Reported this figure in the top line of the final column for each currency; and
4. the total maximum loss in each currency will be summed to obtain a total capital charge. This figure will also be entered in item “A e)” on the Market Risk Summary Report.

**Table 10: Contingent loss method – Equity options**

Report the maximum loss figure obtained from the scenario matrix constructed for each national market (see paragraphs 104 to 109 of AGN 113.3). The column will be summed to obtain a total capital charge. This figure will also be entered in item “B d)” on the Market Risk Summary Report.

**Table 11: Contingent loss method - Foreign exchange and gold**

Report the maximum loss figure obtained from the scenario matrix constructed for each currency pair and gold (see paragraphs 104 to 109 of AGN 113.3). The column will be summed to obtain a total capital charge. This figure will also be entered in item “C d)” on the Market Risk Summary Report.

**Table 12: Contingent loss method - Commodities**

Report the maximum loss figure obtained from the scenario matrix constructed for each commodity (see paragraphs 104 to 109 of AGN 113.3). The column will be summed to obtain a total capital charge. This figure will also be entered in item “D e)” on the Market Risk Summary Report.

**2. Internal model**

ADIs granted APRA approval to use the internal model approach must complete Tables 13 and 14. All internal model user ADIs must also complete Tables 18 to 25 relating to stress testing where the ADI has exposure to the relevant underlying market.

ADIs are permitted to use a combination of the internal models approach and the standard methodology provided that a single approach (either internal models or the standard approach) is applied to all material exposures arising within any one risk category (refer paragraphs 35 and 36 of AGN 113.2 The Internal Model Approach (AGN 113.2)). Those ADIs using a combination of internal models and the standard methodology should complete Tables 13 and 14 for those asset classes where an internal model is applied as well as the relevant tables in the standard method section of the reporting form for those asset classes for which a capital charge is calculated using the standard method. The capital charges determined using the internal model approach and the standard approach will be reported on the Market Risk Summary Report and summed.

**Specific risk**

ADIs whose internal models do not cover specific risk on interest rate related instruments and equities (refer paragraph 22(k) of AGN 113.2) must complete Table 1 (for specific risk on interest rate instruments) and Table 3 (for specific risk on equity positions) in the standard method section of the reporting form.
ADIs granted APRA approval to use an internal specific risk model covering both idiosyncratic risk and event/default risk (refer paragraphs 43 to 53 of AGN 113.2) may adopt one of two approaches to reporting their VaR. Firstly, if the ADI has the capacity to separately report specific risk and general market risk amounts it may do so in lines 1 to 3 and lines 6 to 8 of Table 13. Alternatively, if the ADI is not able to separately report specific risk and general market risk amounts then total interest rate risk and total equity risk may be reported using one of the three methods outlined in the section below.

ADIs granted APRA approval to use an internal specific risk model covering idiosyncratic risk but not event/default risk (refer paragraphs 43 to 53 of AGN 113.2) may adopt one of two approaches to reporting their VaR. Firstly, if the ADI is calculating the specific risk modelling surcharge by separating the specific risk portion of the VaR measure from the model’s estimate of general market risk then the specific and general market risk amounts must be reported separately in lines 1 to 3 and lines 6 to 8 of Table 13. Alternatively, if the ADI is calculating the specific risk modelling surcharge by identifying sub-portfolios that contain specific risk, the ADI must report the VaR amounts for sub-portfolios containing specific risk and those sub-portfolios that do not contain specific risk in lines 4 to 5 and lines 9 to 10 of Table 13.

**Total market risk**

Depending on the nature and capability of the risk measurement system in place, ADIs using the internal models approach should employ one of the following three methods to calculate a capital charge.

**Method one**

ADIs using this method calculate a total value-at-risk (VaR) number across those asset classes to which the internal model applies. In calculating this number, ADIs will have discretion to recognise correlations both within and across asset classes.

**Method two**

ADIs may calculate individual VaR numbers for each asset class separately. Again, ADIs have the option of incorporating into the calculation correlations between instruments within an asset class. The total VaR measure is the sum of the measures for each asset class.

**Method three**

If an ADI’s risk measurement system is structured in such a way that the ADI has the capacity to calculate VaR measures both across and within asset classes (i.e. a combination of method one and method two) then the ADI should report the VaR numbers determined using both methods. Owing to diversification effects, the capital charge which results from calculating a VaR measure across all asset classes (i.e. method one) will be lower than the capital charge which results from calculating VaR measures for individual asset classes and summing them (i.e. method two). The capital requirement will be based on method one.
Table 13: VaR results

**Method one**

(all numbers are entered in the row labelled Total)

**End of quarter VaR**

Enter that VaR number calculated across all asset classes for the last day in the reporting period.

**Average VaR over past 60 trading days**

Calculate the average daily total VaR measure for the 60 trading days up to and including the last day of the quarter.

**Backtesting exceptions**

To complete these two columns the most recent 250 days of aggregated profit and loss and VaR data, up to and including the last day in the quarter, is needed (refer paragraphs 54 to 82 of AGN 113.2). The aggregated data should be that profit and loss and VaR data which applies to all asset classes for which the ADI’s internal model is being used to calculate the capital charge. Using this data, compare each day’s trading outcome (profit or loss) with the corresponding VaR number. If the trading outcome on a particular day is a loss that exceeds the corresponding VaR number for that day then the result is recorded as an exception. Count the number of exceptions that occur over the 250 days.

The Prudential Standard allows ADIs to perform back testing based on either actual or hypothetical profit and loss. All ADIs using internal models must complete at least one of the two back testing columns. Those ADIs that have the capacity to back test using both actual and hypothetical profit and loss must report the results of back testing on both bases.

**Scaling factor**

The scaling factor consists of the multiplication factor and a plus factor (refer to paragraph 22(j) of AGN 113.2). The multiplication factor is set for each ADI by APRA, within the range 3 to 5. The plus factor is specified by APRA and relates directly to the quarterly backtesting results (refer paragraphs 54 to 82 of AGN 113.2).

**Scaled average VaR**

Multiply the number in column 2 by the number in column 5 to determine the scaled average VaR.

**Capital charge**

The capital charge, using method one, is the larger of column 1 (the end of quarter VaR) and column 6 (the scaled average VaR).
Method two

(numbers are entered in the rows labelled Interest Rates, Equities, Foreign Exchange and Commodities)

End of quarter VaR

Enter that VaR number calculated for each asset class for the last day in the reporting period.

Average VaR over past 60 trading days

For each asset class, calculate the average daily total VaR measure for the 60 trading days up to and including the last day of the quarter (i.e. the end of quarter VaR number should be included in the calculation).

Backtesting exceptions

To complete these two columns the most recent 250 days of profit and loss and VaR data for each asset class, up to and including the last day in the quarter, is needed (refer paragraphs 54 to 82 of AGN 113.2). Using this data, for each asset class compare each day’s trading outcome (profit or loss) with the corresponding VaR number. If the trading outcome on a particular day is a loss that exceeds the corresponding VaR number for that day then the result is recorded as an exception. For each asset class, count the number of exceptions that occur over the 250 days.

The Prudential Standard allows ADIs to perform back testing based on either actual or hypothetical profit and loss. All ADIs using internal models must complete at least one of the two back testing columns. Those ADIs that have the capacity to back test using both actual and hypothetical profit and loss must report the results of back testing on both bases.

Scaling factor

The scaling factor consists of the multiplication factor and a plus factor (refer paragraph 22(j) of AGN 113.2). The multiplication factor is set for each ADI by APRA, within the range 3 to 5. The plus factor is specified by APRA and relates directly to the quarterly backtesting results (refer paragraphs 54 to 82 of AGN 113.2). For an ADI using method two, APRA may specify different scaling factors for different risk categories if it is determined that the quality of an ADI’s internal model varies across asset classes.

Scaled average VaR

For each asset class, multiply the number in column 2 by the number in column 5 to determine the scaled average VaR.

Capital charge

Calculate the maximum of column 6 (the scaled average VaR number) and column 1 (the end of quarter VaR number) for each asset class. The capital charge is the sum of these maximum values.
Method three

(numbers are entered in the rows labelled Total as well as Interest Rates, Equities, Foreign Exchange and Commodities).

End of quarter VaR

Enter that VaR number calculated across all asset classes and the VaR numbers calculated for each asset class for the last day in the reporting period.

Average VaR over past 60 trading days

Calculate the average daily total VaR measure for the 60 trading days up to and including the last day of the quarter (i.e. the end of quarter VaR number should be included in the calculation) for each asset class and across all asset classes (i.e. for the total VaR).

Backtesting exceptions

To complete these two columns the most recent 250 days of profit and loss and VaR data for each asset class and in aggregate, up to and including the last day in the quarter, is needed (refer paragraphs 54 to 82 of AGN 113.2). Using this data, for each asset class and for the aggregate data compare each day’s trading outcome (profit or loss) with the corresponding VaR number. If the trading outcome on a particular day is a loss that exceeds the corresponding VaR number for that day then the result is recorded as an exception. For each asset class and the total, count the number of exceptions that occur over the 250 days.

The Prudential Standard allows ADIs to perform back testing based on either actual or hypothetical profit and loss. All ADIs using internal models must complete at least one of the two back testing columns. Those ADIs that have the capacity to back test using both actual and hypothetical profit and loss must report the results of back testing on both bases.

Scaling factor

The scaling factor consists of the multiplication factor and a plus factor (refer paragraph 22(j) of AGN 113.2). The multiplication factor is set for each ADI by APRA, within the range 3 to 5. The plus factor is specified by APRA and relates directly to the quarterly backtesting results (refer paragraphs 54 to 82 of AGN 113.2).

Scaled average VaR

For each asset class and for the total, multiply the number in column 2 by the number in column 5 to determine the scaled average VaR.

Capital charge

The capital charge is based on method one and hence only the row labelled Total needs to be considered. The capital requirement is the larger of column 1 (the end of quarter VaR across asset classes) and column 6 (the scaled average VaR across asset classes).
Table 14: Largest daily losses over the quarter

Enter the five largest daily losses experienced by the total trading book over the reporting period. Enter the losses in order of magnitude with the largest loss in row 1, the second largest loss in row 2, etc. Enter the dates corresponding to each of the losses in the second column. Enter the corresponding VaR number for each loss in the third column (i.e. the 99% one-day VaR number calculated as at the previous business day).

Internal limits method

ADIs whose market risk measurement techniques are consistent with those required for the contingent loss method or the internal models approach may use their internal scenario-based (contingent loss) limits or VaR limits, subject to APRA approval, as the basis for calculating a capital charge for general market risk. An ADI granted approval to use the internal limits method should complete Table 15. The ADI should also complete either Table 16 or Table 17 depending on whether or not aggregate end-of-day exposure (across all asset classes) exceeded the corresponding internal limit on any day during the reporting period. In addition, ADIs using the internal limits method need to perform stress tests as set out in paragraphs 23 to 31 of AGN 113.2 and hence should also complete Tables 18 to 25. Note also that the limits approach may only be used to assess general market risk; specific risk charges on interest rate and equity instruments must be calculated separately using the standard method and reported in Tables 1 and 3 as appropriate.

Table 15: Largest daily levels of limit utilisation over the quarter

To calculate levels of limit utilisation for each day in the reporting period, divide the end-of-day exposure across all asset classes by the corresponding aggregate VaR or contingent loss limit and express the result as a percentage. Enter the five largest percentages in order of magnitude with the largest percentage entered in row 1, the second largest in row 2, etc.

Using the information entered in Table 15, if end-of-day exposure was within limit for each day in the reporting period complete Table 16. Alternatively, if the limit was exceeded during the quarter complete Table 17.

Table 16: If within limit throughout the quarter

Within the limits approach, ADIs may choose one of three approaches to calculate internal limits: the contingent loss method; a VaR model based on the same parameters for the holding period and confidence interval as specified in the internal model approach (i.e. 10 days and 99 per cent (refer paragraph 22 of AGN 113.2)); or a VaR model based on a different holding period and confidence interval to those specified in the internal model approach.

For ADIs using the contingent loss method or a VaR model based on a 10 day holding period and 99 per cent confidence interval, the resulting limit for each asset class should be entered in the column labelled Internal Limit. The sum of these limits should be entered in the row labelled Total. ADIs using a VaR model based on parameters for the holding period and confidence interval which differ from those
required by the internal model approach should first enter these limits for each asset class in the Internal Limits column. The limits should then be re-scaled to obtain 10 day, 99 per cent equivalents. If an ADI specifies internal limits based on a VaR model which uses a 1 day, 95 per cent (two tail) confidence interval, for example, the internal limits should be re-scaled to 10 day, 99 per cent equivalents by multiplying each limit by $\sqrt{10}$ (to take the holding period up to ten days), dividing the limit by 1.96 (to reverse the 95 per cent scaling effect) and then multiplying the result by 2.33 (to arrive at a 99 per cent confidence interval). The total internal limit is then the sum of the re-scaled limit amounts.

For all three methods, the scaling factor consists of a multiplication factor and a plus factor (refer paragraph 22(j) of AGN 113.2). The multiplication factor is determined by APRA on a case by case basis.

The capital requirement is the product of the total internal limit across all asset classes and the scaling factor.

**Backtesting exceptions**

To complete this section the most recent 250 days of aggregated profit and loss and VaR data, up to and including the last day in the quarter, is needed (refer paragraphs 54 to 82 of AGN 113.2). The aggregated data should be that profit and loss and VaR data that applies to all asset classes for which the internal limit method is being used to calculate the capital charge. Using this data, compare each day’s trading outcome (profit or loss) with the corresponding VaR number. If the trading outcome on a particular day is a loss that exceeds the corresponding VaR number for that day then the result is recorded as an exception. Count the number of exceptions that occur over the 250 days.

The Prudential Standard allows ADIs to perform back testing based on either actual or hypothetical profit and loss. All ADIs using the internal limit method must complete at least one of the two back testing rows in Table 16. Those ADIs that have the capacity to back test using both actual and hypothetical profit and loss must report the results of back testing on both bases.

**Table 17: If limit exceeded during the quarter**

Enter the largest end-of-day exposure experienced across all asset classes over the reporting period. ADIs using a VaR model based on parameters for the holding period and confidence interval which differ from those required by the internal model approach should first re-scale their peak exposure to a 10 day, 99 per cent equivalent.

The scaling factor consists of a multiplication factor and a plus factor (refer to paragraph 22(j) of AGN 113.2). The multiplication factor is determined by APRA on a case by case basis.

To calculate the capital charge multiply the largest end-of-day exposure by the penalty factor and the scaling factor.
Backtesting exceptions

To complete this section the most recent 250 days of aggregated profit and loss and VaR data, up to and including the last day in the quarter, is needed (refer paragraphs 54 to 82 of AGN 113.2). The aggregated data should be that profit and loss and VaR data that applies to all asset classes for which the internal limit method is being used to calculate the capital charge. Using this data, compare each day’s trading outcome (profit or loss) with the corresponding VaR number. If the trading outcome on a particular day is a loss that exceeds the corresponding VaR number for that day then the result is recorded as an exception. Count the number of exceptions that occur over the 250 days.

The Prudential Standard allows ADIs to perform back testing based on either actual or hypothetical profit and loss. All ADIs using the internal limit method must complete at least one of the two back testing rows in Table 17. Those ADIs that have the capacity to back test using both actual and hypothetical profit and loss must report the results of back testing on both bases.

Stress testing

All ADIs using internal models, including users of the internal limits approach, are required to complete Tables 18 to 25 where they have positions in the relevant asset/product. It should be noted that the stress test calculations are not part of the calculation of market risk capital requirements.

In each case the ADI should revalue its portfolio for the specified yield or price shifts and report the resultant change in mark-to-market value (both profits and losses). Full revaluation is required rather than estimates of changes in portfolios based on delta, duration, etc.

Tables 20 to 25 specify simultaneous shifts in underlying prices and the implied option volatility. Those ADIs with no option positions in a particular asset class need complete only the middle row of the relevant table (the zero change in volatility row).

All price and volatility scenarios are expressed as proportional shifts, for example, if the AUD/JPY exchange rate volatility is currently 10 per cent, a scenario of a 100 per cent increase corresponds to the volatility level increasing to 20 per cent; similarly a 50 per cent fall scenario implies that the exchange rate volatility would move to 5 percent.

Table 18: Yield curve scenarios

All positions forming part of the trading book in debt or other interest rate related securities must be included in the stress test calculations. Using the scenarios set out in Table 18, separate stress test results should be presented (in a separate row) for positions in each material currency. Positions in immaterial currencies need not be included in the stress testing scenarios. Within each material currency ADIs may net across all positions when applying the stress scenarios. In applying these yield curve shifts, ADIs should use the same interpolation method used within their internal model to obtain intermediate points on the yield curve.
It should be noted that the stress tests are expressed in terms of proportional changes in interest rates. An example of the yield curves that would result from the two scenarios, given a hypothetical initial yield curve, is shown in the table below.

<table>
<thead>
<tr>
<th>Hypothetical initial yield curve</th>
<th>Cash 90 days</th>
<th>180 days</th>
<th>1 year</th>
<th>3 years</th>
<th>5 years</th>
<th>10 years</th>
<th>15 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yield curve scenario 1 (Yield x 1.2)</td>
<td>6.48</td>
<td>6.00</td>
<td>6.12</td>
<td>6.36</td>
<td>6.72</td>
<td>7.08</td>
<td>7.68</td>
</tr>
<tr>
<td>Yield curve scenario 2 (Yield x 0.8)</td>
<td>4.32</td>
<td>4.00</td>
<td>4.08</td>
<td>4.24</td>
<td>4.48</td>
<td>4.72</td>
<td>5.12</td>
</tr>
</tbody>
</table>

Table 19: Interest rate volatility scenarios

Those ADIs with interest rate options must complete this table. Separate stress results should be presented for interest rate options in different material currencies. Within each currency ADIs may net across all options. Positions in immaterial currencies need not be included in the stress testing scenarios.

Table 20: Equity scenarios

All equity positions within the trading book must be included in the stress test portfolio revaluations. In assessing the change in portfolio value arising from the prespecified scenarios, ADIs may net all positions within each national market (refer paragraph 36 of AGN 113.3). A separate scenario matrix should be completed for each national market. In the column representing a negative change in volatility, only the entry corresponding to a zero per cent change in price needs to be filled out. The changes in price in the first column should be -50%, -25%, 0%, +10%, +20%.

Table 21: Exchange rate scenarios

All exchange rate sensitive positions (as specified in paragraph 57 of AGN 113.3) must be included in the stress test portfolio revaluations. Positions in gold, however, should be excluded.

A separate scenario matrix should be completed for each material currency. For example, the USD scenario should include all spot and forward positions in USD (as specified in paragraph 57(a) to (e) of AGN 113.3), options on USD/AUD and options on USD against all non-AUD currencies. A decrease in price should be interpreted as a depreciation in the USD. Similarly for the other currency scenarios a decrease in price should be interpreted as a depreciation in the specified currency. No separate AUD scenario matrix is needed.

In the column representing a negative change in volatility, only the entry corresponding to a zero per cent change in price needs to be filled out. The changes in price in the first column should be -20%, -10%, 0%, +10%, +20%.

Table 22: Gold and other precious metals scenarios

All positions in gold and other precious metals (including silver, platinum and palladium) must be included in the stress test portfolio revaluations. The price shifts should be applied to each commodity separately; a separate scenario matrix should be completed for each commodity. In assessing the change in portfolio value for each commodity, positions of differing maturity may be netted. In the column representing
a negative change in volatility, only the entry corresponding to a zero per cent change in price needs to be filled out. The changes in price in the first column should be -30%, -15%, 0%, +15%, +30%.

Table 23: Base metals scenarios

All positions in base metals (including copper, aluminium, zinc, nickel and tin) must be included in the stress test portfolio revaluations. The price shifts should be applied to each commodity separately; a separate scenario matrix should be completed for each base metal. In assessing the change in portfolio value for each base metal, positions of differing maturity may be netted. In the column representing a negative change in volatility, only the entry corresponding to a zero per cent change in price needs to be filled out. The changes in price in the first column should be -50%, -25%, 0%, +25%, +50%.

Table 24: Soft commodities scenarios

All positions in soft commodities (such as wool, wheat, corn, and sugar) must be included in the stress test portfolio revaluations. The price shifts should be applied to each commodity separately; a separate scenario matrix should be completed for each commodity. In assessing the change in portfolio value for each commodity, positions of differing maturity may be netted. In the column representing a negative change in volatility, only the entry corresponding to a zero per cent change in price needs to be filled out. The changes in price in the first column should be -30%, -15%, 0%, +20%, +40%.

Table 25: Energy commodity scenarios

All positions in energy commodities (including oil, gas, and electricity) must be included in the stress test portfolio revaluations. The price shifts should be applied to each commodity separately; a separate scenario matrix should be completed for each energy commodity. In assessing the change in portfolio value for each commodity, positions of differing maturity may be netted. In the column representing a negative change in volatility, only the entry corresponding to a zero per cent change in price needs to be filled out. The changes in price in the first column should be -40%, -20%, 0%, +20%, +40%.