

Bank of England

Prudential Regulation Authority

CRR Permission 329, 352(1) and 358 supplementary application form

Delta calculation, application of standardised approach

Guidance on completion of template:

The template must be completed separately for each entity, and also for each combination of option type and pricing model. The second column should be used to indicate whether the minimum standard is met or not. The third column should give a brief description of how the minimum standard is met and, when the standards provide a choice between approaches, as in the RTS 528/2014, indicate the method chosen and briefly describe how any conditions given in the standards relevant for the chosen approach are met.

Application Details	
	Signature
Attestation by a Senior Management Function (SMF) of compliance with the relevant CRR requirements.	
Item	Summary Information
Descriptions of the positions requested to be excluded	

CRR Article		
Entity		
Option Description		
Pricing Model		
Factors demonstrating that the CRR Standard is met		
CRR/Regulatory Technical Standard	Meets Standard? (Yes/No)	FIRM ANALYSIS
		<i>Please demonstrate using examples where appropriate how the minimum standards are met.</i>
The option is OTC, or a value for delta is not available from the relevant exchange		

The sophistication of the pricing model is proportionate to the complexity and risk of the option and nature of the business		
Delta is recalculated at least daily		
Delta can be recalculated promptly following significant movements in inputs used to calculate delta		
The pricing model is based on appropriate assumptions that have been assessed and challenged by suitably qualified parties independent of the development process		
The pricing model been independently tested, including validation of the mathematics, assumptions, and software implementation		
The pricing model has been developed or approved independently of the trading desk		
A generally accepted industry standard pricing model has been used (if available)		
The IT systems used to calculate delta are sufficient to ensure delta can be calculated accurately and reliably		
The responsibilities of the various areas involved in the calculation are clearly defined and documented		
The frequency of independent testing of the accuracy of the pricing model is documented		

Guidelines for the use of unobservable inputs, where relevant, are documented		
Are risk management functions aware of weaknesses in the model used to calculate delta, and where weaknesses are identified is a prudent amount of capital held against the relevant options		
The capitalisation of non-delta risks follows the relevant RTS 528/2014 and any conditions for the approach chosen have been met.		

March 2023