Bank of England

Prudential Regulation Authority

ANNEX XXX – Instructions for the disclosure of market risk templates

Template UKB MRA – General qualitative disclosure requirements related to market risk: Flexible format

1. Institutions shall apply the instructions provided below in this Annex in order to complete Template MRA.
2. This table has a flexible format. In case institutions apply a different format, they shall provide information comparable with the information required in this table, with a similar level of granularity and including all the substance information required

Row letter	Explanation
Qualitative Disclosure	
a	A description of the strategies and processes of the bank, which must include an explanation and/or a description of: i. the bank's strategic objectives in undertaking trading activities, as well as the processes implemented to identify, measure, monitor and control the bank's market risks, including policies for hedging risk and the strategies/processes for monitoring the continuing effectiveness of hedges; ii. policies for determining whether a position is designated as trading, including the definition of stale positions and the risk management policies for monitoring those positions. In addition, banks should describe cases where instruments are assigned to the trading or banking book contrary to the general presumptions of their instrument category and the market and gross fair value of such cases, as well as cases where instruments have been moved from one book to the other since the last disclosure period, including the gross fair value of such cases and the reason for the move; and iii. description of internal risk transfer activities, including the types of internal risk transfer desk.
b	A description of the institution's structure and organisation of the market risk management function, including a description of the market risk governance structure established to implement the strategies and processes of the institution discussed in row (a) above.
c	The scope and nature of risk reporting and/or measurement systems.

Template UKB MR1 - Quantitative disclosure for the market risk advanced standardised approach (ASA): Fixed format

1. This template shall apply to firms that do not meet the criteria as set out in Article 325a of Market Risk: General Provisions (CRR) Part of the PRA Rulebook.

2. The purpose of this template is to provide information on the different components for the capital requirements under the advanced standardised approach (ASA) for market risk.
3. Institutions shall apply the instructions provided below in order to complete template MR1.
4. Institutions shall explain in the accompanying narrative to the template any significant change over the disclosure period and the key drivers of such changes. In particular, the narrative should provide information on the changes in the scope of application, including changes due to trading desk for which capital requirements are calculated using the standardised approach.

Row number	Explanation
{010-070}	The sensitivities-based method capital requirements for the specific risk class calculated for the ASA.
{080-100}	The default risk capital requirements for the specific risk class calculated for the advanced standardised approach.
{110}	The residual risk add-on capital requirements calculated for the advanced standardised approach.
{120}	The total capital requirements calculated for the advanced standardised approach.

Table UKB MRB – Qualitative disclosure for the market risk internal model approach (IMA): Flexible format

1. This template shall apply to firms with permission from the PRA to use the Internal Model Approach (IMA) in accordance with Market Risk: Internal Model Approach (CRR) Part of the PRA rulebook.
2. Institutions shall apply the instructions provided below in this Annex in order to complete table MRB.
3. This table has a flexible format. In case institutions apply a different format, they shall provide information comparable with the information required in this table, with a similar level of granularity and including all the substance information required.

Row letter	Explanation
Qualitative Disclosure	
a	A general description of the trading desk structure as defined in Trading Book (CRR) Part Article 104b of the PRA Rulebook and types of instruments included in the IMA trading desks.
	Models for calculating expected shortfall (ES)
b	A description of trading desks covered by the ES models. Where applicable, banks must also describe the main trading desks not included in ES regulatory calculations (due to lack of historical data or model constraints)

	and treated under other measures (such as specific treatments allowed in some jurisdictions).
c	The soundness criteria on which the internal capital adequacy assessment is based (eg forward-looking stress testing) and a description of the methodologies used to achieve a capital adequacy assessment that is consistent with the soundness requirements.
d	A general description of the ES model(s). For example, banks may describe whether the model(s) is (are) based on historical simulation, Monte Carlo simulations or other appropriate analytical methods, and the observation period. For ES based on stressed observations.
e	The frequency by which model data is updated.
f	A description of the ES calculation based on current and stressed observations. For example, banks should describe the reduced set of risk factors used to calibrate the period of stress, the share of the variations in the full ES that is explained by the reduced set of risk factors, and the observation period used to identify the most stressful 12 months.
	Models used for calculating stress-scenario risk measure (SS) for non-modellable risk factors (NMRFs)
g	A general description of each methodology used to achieve a capital adequacy assessment for categories of NMRFs that is consistent with the required soundness standard.
	For banks with approval and using default risk models
h	A general description of the methodology: Information about the characteristics and scope of the value-at-risk (VaR) and whether different models are used for different exposure classes. For example, banks may describe the range of probability of default (PD) by obligors on the different types of positions, the approaches used to correct market-implied PDs as applicable, the treatment of netting, basis risk between long and short exposures of different obligors, mismatch between a position and its hedge and concentrations that can arise within and across product classes during stressed conditions.
i	The methodology used to achieve a capital adequacy assessment that is consistent with both the required soundness requirements.
	Validation of models and modelling process
j	The approaches used in the validation of the models and modelling processes, describing general approaches used, and the types of assumptions and benchmarks on which they rely on.

Template UKB MR2 - Quantitative disclosure for the market risk internal model approach (IMA): Fixed format

1. This template shall apply to firms with permission from the PRA to use the Internal Model Approach (IMA) in accordance with Market Risk: Internal Model Approach (CRR) Part of the PRA rulebook.
2. The purpose of this template is to provide information on the different components of the capital requirements under the internal model approach (IMA) for market risk.
3. Institutions shall apply the instructions provided below in this Annex in order to complete template MR2.
4. Institutions shall explain in the accompanying narrative components that are included for their most recent measure and the components that are included for their average of the previous 60 days for ES and SS, and 12 weeks for internal default risk models. Institutions shall also provide a comparison of Value-at-Risk (VaR) measures to the one-day changes of the portfolio's value by the end of the subsequent business day together with an analysis of any important overshooting from backtesting during the reporting period. Institutions shall also explain any significance change over the disclosure period and the key drivers of such changes.

Row number	Explanation
{010}	The unconstrained expected shortfall (ES) capital requirements (as defined in Articles 325bb and 325bc of the *Market Risk: Internal Model Approach (CRR) Part* of the PRA rulebook)
{020-060}	The constrained ES capital requirements for the specific risk class calculated for the IMA (as defined in [Articles 325bb and 325bc of the *Market Risk: Internal Model Approach (CRR) Part* of the PRA rulebook).
{070}	The aggregated constrained ES capital requirements (as defined Articles 325bb and 325bc of the *Market Risk: Internal Model Approach (CRR) Part* of the PRA rulebook)
{080}	The aggregated capital requirements across unconstrained and constrained capital requirements calculated for the IMA (as defined in Articles 325bb and 325bc of the *Market Risk: Internal Model Approach (CRR) Part* of the PRA rulebook)
{090}	The stress-scenario risk measure (SS) capital requirements calculated for the IMA (as defined in Article 325bk of the *Market Risk: Internal Model Approach (CRR) Part* of the PRA rulebook).
{100}	The internal default risk model capital requirements calculated for the IMA (as defined in Articles 325bn of the *Market Risk: Internal Model Approach (CRR) Part* of the PRA rulebook).
{110}	The capital surcharge requirements calculated for yellow trading desks calculated under the IMA (as defined in Article 325ba(3) of the *Market Risk: Internal Model Approach (CRR) Part* of the PRA rulebook).
{120}	The capital requirements calculated for green and yellow trading desks calculated under the IMA, including any capital surcharge (as Articles 325az of the *Market Risk: Internal Model Approach (CRR) Part* of the PRA rulebook).

{130}	The capital requirements calculated for non-green and yellow trading desks (i.e. trading desks ineligible for the IMA) calculated under the ASA, (as defined in the *Market Risk: Advanced Standardised Approach (CRR) Part* of the PRA rulebook).
{140}	Difference in capital requirements calculated using IMA (as defined in [insert rule reference for IMA]) and ASA for green and yellow trading desks.
{150}	The ASA capital requirements calculated for all trading desks, (as defined in the *Market Risk: Advanced Standardised Approach (CRR) Part* of the PRA rulebook).
{160}	The total market risk capital requirements

Column letter	Explanation
a	Relevant risk measures for the most recent period in the current quarter
b	The average of the relevant risk measures for the most recent period in the current quarter
c	The highest of the relevant risk measures for the most recent period in the current quarter
d	The lowest of the relevant risk measures for the most recent period in the current quarter
e	The number of backtesting exceptions (at firm-wide level) for the most recent period in the current quarter
f	Relevant risk measures for the most recent period in the previous quarter
g	The average of the relevant risk measures for the most recent period in the previous quarter

Template UKB MR3 - Quantitative disclosure for the market risk simplified standardised approach (SSA): Fixed format

1. This template shall apply to firms that meet the criteria as set out in Article 325a of Market Risk: General Provisions (CRR) Part of the PRA Rulebook and uses the simplified standardised approach].
2. The purpose of this template is to provide information on the different components of the capital requirements under the SSA for market risk.
3. Institutions shall apply the instructions provided below to complete template MR3.

Row number	Explanation
{010-040}	The SSA capital requirements for the different risk classes
{050}	The SSA capital requirements for the securitisation positions

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{060}	The total SSA capital requirements

Column letter	Explanation
a	The SSA capital requirements for positions in products that do not have optionality
b	The SSA capital requirements for option risks (non-delta risks) from debt instruments, equity instruments, commodities instruments and foreign exchange instruments calculated using the simplified approach in accordance with the *Market Risk: Simplified Standardised Approach (CRR) Part* of the PRA rulebook
c	The SSA capital requirements for option risks (non-delta risks) from debt instruments, equity instruments, commodities instruments and foreign exchange instruments calculated using the delta-plus method in accordance with the *Market Risk: Simplified Standardised Approach (CRR) Part* of the PRA rulebook]
d	The SSA capital requirements for option risks (non-delta risks) from debt instruments, equity instruments, commodities instruments and foreign exchange instruments calculated using the scenario approach in accordance with the *Market Risk: Simplified Standardised Approach (CRR) Part* of the PRA rulebook