

REPORTING GUIDE FOR MARKET RISK UNDER GUIDELINES ON RISK WEIGHTED ASSETS

1.0 General Instructions

- 1.1 This reporting guidance is applicable to Labuan banks licensed under Part VI of the Labuan Financial Services and Securities Act 2010 (LFSSA) adopting the standardised approach for market risk under the *Guidelines on Risk Weighted Assets*.
- 1.2 Labuan banks are required to complete the relevant forms in the softcopy format as provided by Labuan Financial Services Authority (Labuan FSA) on a quarterly basis for both entity¹ and consolidated reporting. The soft copy of the reporting forms have to be submitted to Industry Reporting/Regulatory Compliance Unit, no later than 15 days after the financial quarter-end reporting date via email (iru@labuanfsa.gov.my). Hardcopy submissions of the reporting forms are not required.
- 1.3 Labuan banks should not modify the reporting form in any way either by adding or removing rows, columns or worksheets; or changing the sequence of the worksheets; or changing the format, formulae and colours of the cells. Unless otherwise stated, all numbers should be reported as positive amounts (including deductions and items netted off).
- 1.4 The cells are shaded to denote the requirement/function of the cell.
- i. All cells shaded in green must be filled. Where not relevant, a value of '0' shall be keyed-in.

¹ For entity level reporting, Labuan banks are required to select 'Global' for Level of Application in worksheet G.0(GenInfo)

ii. Cells shaded in yellow have been pre-programmed with formulae.

- 1.5 All amounts are to be reported and rounded up to the nearest US Dollar (USD). Non-USD amounts must be translated into USD equivalents based on the prevailing exchange rates as at the reporting date. For credit risk standardised approach capital adequacy computation, exposures are the assets and contingent assets as defined under the applicable Financial Reporting Standards, net of specific provisions.
- 1.6 Labuan Financial Services Authority (Labuan FSA) places significant emphasis on the quality of information submitted for the purpose of Banking Capital Adequacy Framework. In this regard, the Principal Officer of the Labuan bank is responsible and will be held accountable for the quality of the information submitted in all reporting forms to Labuan FSA under this framework.

2.0 Basis of Preparation

- 2.1 The reporting forms capture both the conventional and Islamic window banking operations activities. The Islamic window operations activities are to be reported in the forms denoted with the letter 'i'.
- 2.2 Labuan banks should report the activities of Islamic window operations according to the source of funding, that is, separate reporting should be made for the source of funding from Specific Investment Account (SIA), General Investment Account (GIA) and Non-Profit Sharing Investment Account² (NPSIA) respectively³.

² Includes shareholders' fund.

³ Any reference to PSIA in this manual and the reporting templates shall refer to Investment Account (IA) as per the policy document on Investment Account. Therefore, SIA and GIA would refer to Restricted Investment Account (RA) and Unrestricted Investment Account (UA) accordingly, PER is no longer applicable and alpha (α) value is 'zero'.

2.3 In the event that a Labuan bank is unable to distinguish the source of funding, it should report the entire Islamic window operations activities under the NPSIA reporting forms.

2.4 For reporting in the Islamic window operations forms for Profit Rate Risk, Equity Position Risk, Foreign Currency Risk and Commodities Risk, the exposures should include private commercial enterprise's trading activities where the Islamic window operations has mushārah and/or mudārah financing. The commodity risk arising from Salam contract should also be captured in the relevant reporting forms.

3.0 Components of Reporting Forms

3.1 This manual and the reporting forms are divided into two parts, namely:

- Overall Risk Weighted Capital Ratio (RWCR); and
- Standardised Approach.

Overall Market Risk

3.2 The incorporation of market risk is summarised in Forms G.1 and G.2. Form G.1 provides the computation of Labuan bank's overall RWCR and Form G.2 summarises the capital requirement and risk-weighted assets for market risk.

	Title	Form	Worksheet
1	Overall Risk Weighted Capital Ratio (RWCR)	<ul style="list-style-type: none"> • Form G.1-RWCR: RWCR Incorporating Credit, Market and Operational Risks 	<ul style="list-style-type: none"> • G.1-RWCR
2	Market Risk Capital Adequacy Framework	<ul style="list-style-type: none"> • Form G.2-RWA: Capital Requirement and Risk-Weighted Assets Equivalent for Conventional Banking Operations • Form G.2-RWAI: Capital Requirement and Risk-Weighted Assets Equivalent for Islamic Window Operations 	<ul style="list-style-type: none"> • G.2-RWA • G.2-RWAI

Standardised Approach

3.3 The reporting forms for Standardised Approach are divided into five major components:

	Title	Form	Worksheet
1	Standardised Approach for Interest/Profit Rate Risk	<ul style="list-style-type: none"> Form SA-IR.1: Conventional Banking Operations Summary (total all currencies) Form SA-IR.1i: Islamic Window Operations Summary (total all currencies) 	<ul style="list-style-type: none"> SA-IR.1 SA-IR.1i
		<ul style="list-style-type: none"> Form SA-IR.2: Conventional Banking Operations Specific Risk Form SA-IR.2i SIA: Islamic Window Operations (Financed by Specific Investment Account) Specific Risk Form SA-IR.2i GIA: Islamic Window Operations (Financed by General Investment Account) Specific Risk Form SA-IR.2i NPSIA: Islamic Window Operations (Financed by Non-Profit Sharing Investment Account) Specific Risk 	<ul style="list-style-type: none"> SA-IR.2 SA-IR.2i SIA SA-IR.2i GIA SA-IR.2i NPSIA
		<ul style="list-style-type: none"> Form SA-IR.3.1(M-Non G10): Conventional Banking Operations General Risk (for financial instruments denominated in Non- G10 currencies) - Maturity Method Form SA-IR.3.1i(M-Non G10) SIA: Islamic Window Operations (Financed by Specific Investment Account) General Risk (for financial instruments denominated in Non- G10 currencies) - Maturity Method 	<ul style="list-style-type: none"> SA-IR.3.1 (M-Non G10) SA-IR.3.1i (M-Non G10) SIA

	Title	Form	Worksheet
		<ul style="list-style-type: none"> • Form SA-IR.3.1i(M-Non G10) GIA: Islamic Window Operations (Finance by General Investment Account) General Risk (for financial instruments denominated in Non- G10 currencies) - Maturity Method • Form SA-IR.3.1i(M-Non G10) NPSIA: Islamic Window Operations (Financed by Non-Profit Sharing Investment Account) General Risk (for financial instruments denominated in Non-G10 currencies) - Maturity Method 	<ul style="list-style-type: none"> • SA-IR.3.1i (M-Non G10) GIA • SA-IR.3.1i (M-Non G10) NPSIA
		<ul style="list-style-type: none"> • Form SA-IR.3.2(M-G10): Conventional Banking Operations General Risk (for financial instruments denominated in G10 currencies) - Maturity Method • Form SA-IR.3.2i(M-G10) SIA: Islamic Window Operations (Financed by Specific Investment Account) General Risk (for financial instruments denominated in G10 currencies) - Maturity Method • Form SA-IR.3.2i(M-G10) GIA: Islamic Window Operations (Financed by General Investment Account) General Risk (for financial instruments denominated in G10 currencies) - Maturity Method 	<ul style="list-style-type: none"> • SA-IR.3.2 (M-G10) • SA-IR.3.2i (M-G10) SIA • SA-IR.3.2i (M-G10) GIA

	Title	Form	Worksheet
		<ul style="list-style-type: none"> Form SA-IR.3.2i(M-G10) NPSIA: Islamic Window Operations (Financed by Non-Profit Sharing Investment Account) General Risk (for financial instruments denominated in G10 currencies) - Maturity Method 	<ul style="list-style-type: none"> SA-IR.3.2i (M-G10) NPSIA
		<ul style="list-style-type: none"> Form SA-IR.4.1(D-Non G10): Conventional Banking Operations General Risk (for financial instruments denominated in Non- G10 currencies) - Duration Method Form SA-IR.4.1i(D-Non G10) SIA: Islamic Window Operations (Financed by Specific Investment Account) General Risk (for financial instruments denominated in Non- G10 currencies) - Duration Method Form SA-IR.4.1i(D-Non G10) GIA: Islamic Window Operations (Financed by General Investment Account) General Risk (for financial instruments denominated in Non- G10 currencies) - Duration Method Form SA-IR.4.1i(D-Non G10) NPSIA: Islamic Window Operations (Financed by Non-Profit Sharing Investment Account) General Risk (for financial instruments denominated in Non-G10 currencies) - Duration Method 	<ul style="list-style-type: none"> SA-IR.4.1 (D-Non G10) SA-IR.4.1i (D-Non G10) SIA SA-IR.4.1i (D-Non G10) GIA SA-IR.4.1i (D-Non G10) NPSIA

	Title	Form	Worksheet
		<ul style="list-style-type: none"> Form SA-IR.4.2(D-G10): Conventional Banking Operations General Risk (for financial instruments denominated in G10 currencies) - Duration Method Form SA-IR.4.2i(D-G10) SIA: Islamic Window Operations (Financed by Specific Investment Account) General Risk (for financial instruments denominated in G10 currencies) - Duration Method Form SA-IR.4.2i(D-G10) GIA: Islamic Window Operations (Financed by General Investment Account) General Risk (for financial instruments denominated in G10 currencies) - Duration Method Form SA-IR.4.2i(D-G10) NPSIA: Islamic Window Operations (Financed by Non-Profit Sharing Investment Account) General Risk (for financial instruments denominated in G10 currencies) - Duration Method 	<ul style="list-style-type: none"> SA-IR.4.2 (D-G10) SA-IR.4.2i (D-G10) SIA SA-IR.4.2i (D-G10) GIA SA-IR.4.2i (D-G10) NPSIA
2	Standardised Approach for Equity Position Risk	<ul style="list-style-type: none"> Form SA-ER.1: Conventional Banking Operations Summary (total all national markets) Form SA-ER.1i: Islamic Window Operations Summary (total all national markets) 	<ul style="list-style-type: none"> SA-ER.1 SA-ER.1i
		<ul style="list-style-type: none"> Form SA(F)-ER.2: Conventional Banking Operations Specific and General Risk 	<ul style="list-style-type: none"> SA(F)-ER.2

	Title	Form	Worksheet
		<ul style="list-style-type: none"> • Form SA(F)-ER.2i SIA: Islamic Window Operations (Financed by Specific Investment Account) Specific and General Risk • Form SA(F)-ER.2i GIA: Islamic Window Operations (Financed by General Investment Account) Specific and General Risk • Form SA(F)-ER.2i NPSIA: Islamic Window Operations (Financed by Non-Profit Sharing Investment Account) Specific and General Risk 	<ul style="list-style-type: none"> • SA(F)-ER.2i SIA • SA(F)-ER.2i GIA • SA(F)-ER.2i NPSIA
3	Standardised Approach for Foreign Exchange Risk (including gold and silver positions)	<ul style="list-style-type: none"> • Form SA-FX.1: Conventional Banking Operations Summary • Form SA-FX.1i: Islamic Window Operations Summary 	<ul style="list-style-type: none"> • SA-FX.1 • SA-FX.1i
		<ul style="list-style-type: none"> • Form SA-FX.2: Conventional Banking Operations Capital Requirement • Form SA-FX.2i SIA: Islamic Window Operations (Financed by Specific Investment Account) Capital Requirement • Form SA-FX.2i GIA: Islamic Window Operations (Financed by General Investment Account) Capital Requirement • Form SA-FX.2i NPSIA: Islamic Window Operations (Financed by Non-Profit Sharing Investment Account) Capital Requirement 	<ul style="list-style-type: none"> • SA-FX.2 • SA-FX.2i SIA • SA-FX.2i GIA • SA-FX.2i NPSIA
4	Standardised Approach for Commodities Risk	<ul style="list-style-type: none"> • Form SA-CM.1: Conventional Banking Operations Summary • Form SA-CM.1i: Islamic Window Operations Summary 	<ul style="list-style-type: none"> • SA-CM.1 • SA-CM.1i

	Title	Form	Worksheet
		<ul style="list-style-type: none"> • Form SA-CM.2: Conventional Banking Operations Simplified Approach • Form SA-CM.2i SIA: Islamic Window Operations (Financed by Specific Investment Account) Simplified Approach • Form SA-CM.2i GIA: Islamic Window Operations (Financed by General Investment Account) Simplified Approach • Form SA-CM.2i NPSIA: Islamic Window Operations (Financed by Non-Profit Investment Account) Simplified Approach 	<ul style="list-style-type: none"> • SA-CM.2 • SA-CM.2i SIA • SA-CM.2i GIA • SA-CM.2i NPSIA
		<ul style="list-style-type: none"> • Form SA-CM.3: Conventional Banking Operations Maturity Ladder Approach • Form SA-CM.3i SIA: Islamic Window Operations (Financed by Specific Investment Account) Maturity Ladder Approach • Form SA-CM.3i GIA: Islamic Window Operations (Financed by General Investment Account) Maturity Ladder Approach • Form SA-CM.3i NPSIA: Islamic Window Operations (Financed by Non-Profit Sharing Investment Account) Maturity Ladder Approach 	<ul style="list-style-type: none"> • SA-CM.3 • SA-CM.3i SIA • SA-CM.3i GIA • SA-CM.3i NPSIA
5	Standardised Approach for Options Risk	<ul style="list-style-type: none"> • Form SA-OP.1: Conventional Banking Operations Summary (total all option positions) • Form SA-OP.1i: Islamic Window Operations Summary (total all option positions) 	<ul style="list-style-type: none"> • SA-OP.1 • SA-OP.1i

	Title	Form	Worksheet
		<ul style="list-style-type: none"> • Form SA-OP.2: Conventional Banking Operations Underlying Position Approach • Form SA-OP.2i SIA: Islamic Window Operations (Financed by Specific Investment Account) Underlying Position Approach • Form SA-OP.2i GIA: Islamic Window Operations (Financed by General Investment Account) Underlying Position Approach • Form SA-OP.2i SIA: Islamic Window Operations (Financed by Non-Profit Sharing Investment Account) Underlying Position Approach 	<ul style="list-style-type: none"> • SA-OP.2 • SA-OP.2i SIA • SA-OP.2i GIA • SA-OP.2i NPSIA
		<ul style="list-style-type: none"> • Form SA-OP.3: Conventional Banking Operations Simplified Approach • Form SA-OP.3i SIA: Islamic Window Operations (Financed by Specific Investment Account) Simplified Approach • Form SA-OP.3i GIA: Islamic Window Operations (Financed by General Investment Account) Simplified Approach • Form SA-OP.3i NPSIA: Islamic Window Operations (Financed by Non-Profit Sharing Investment Account) Simplified Approach 	<ul style="list-style-type: none"> • SA-OP.3 • SA-OP.3i SIA • SA-OP.3i GIA • SA-OP.3i NPSIA
		<ul style="list-style-type: none"> • Form SA-OP.4: Conventional Banking Operations Delta-Plus Method - Gamma and Vega Risks Capital Charge 	<ul style="list-style-type: none"> • SA-OP.4

	Title	Form	Worksheet
		<ul style="list-style-type: none"> • Form SA-OP.4i SIA: Islamic Window Operations (Financed by Specific Investment Account) Delta-Plus Method - Gamma and Vega Risks Capital Charge • Form SA-OP.4i GIA: Islamic Window Operations (Financed by General Investment Account) Delta-Plus Method - Gamma and Vega Risks Capital Charge • Form SA-OP.4i NPSIA: Islamic Window Operations (Financed by Non-Profit Sharing Investment Account) Delta-Plus Method - Gamma and Vega Risks Capital Charge 	<ul style="list-style-type: none"> • SA-OP.4i SIA • SA-OP.4i GIA • SA-OP.4i NPSIA
		<ul style="list-style-type: none"> • Form SA-OP.5.1: Conventional Banking Operations Scenario Approach - General Risk Charge • Form SA-OP.5.1i SIA: Islamic Window Operations (Financed by Specific Investment Account) Scenario Approach - General Risk Charge • Form SA-OP.5.1i GIA: Islamic Window Operations (Financed by General Investment Account) Scenario Approach - General Risk Charge • Form SA-OP.5.1i NPSIA: Islamic Window Operations (Financed by Non-Profit Sharing Investment Account) Scenario Approach - General Risk Charge 	<ul style="list-style-type: none"> • SA-OP.5.1 • SA-OP.5.1i SIA • SA-OP.5.1i GIA • SA-OP.5.1i NPSIA

	Title	Form	Worksheet
		<ul style="list-style-type: none"> <li data-bbox="695 241 1117 415">• Form SA(F)-OP.5.2: Conventional Banking Operations Scenario Approach - Revaluation Matrix <li data-bbox="695 426 1117 636">• Form SA(F)-OP.5.2i SIA: Islamic Window Operations (Financed by Specific Investment Account) Scenario Approach - Revaluation Matrix <li data-bbox="695 646 1117 856">• Form SA(F)-OP.5.2i GIA: Islamic Window Operations (Financed by General Investment Account) Scenario Approach - Revaluation Matrix <li data-bbox="695 867 1117 1077">• Form SA(F)-OP.5.2i NPSIA: Islamic Window Operations (Financed by Non-Profit Sharing Investment Account) Scenario Approach - Revaluation Matrix 	<ul style="list-style-type: none"> <li data-bbox="1144 233 1365 266">• SA(F)-OP.5.2 <li data-bbox="1144 422 1365 485">• SA(F)-OP.5.2i SIA <li data-bbox="1144 642 1365 705">• SA(F)-OP.5.2i GIA <li data-bbox="1144 863 1365 926">• SA(F)-OP.5.2i NPSIA

4.0 Overall Risk Weighted Capital Ratio (RWCR)

FORM G.1-RWCR: RWCR INCORPORATING CREDIT, MARKET AND OPERATIONAL RISKS

- 4.1 This form computes the overall RWCR of the Labuan bank incorporating total credit risk, market risk and operational risk capital charge.
- 4.2 The credit and operational risk-weighted asset (RWA) (item B and C) should be the figure reported as per the Banking Capital Adequacy Framework (BCAF).
- 4.3 The Large Exposure Risk (LER) RWA for Equity Holdings (item D) is reported as specified under BCAF.
- 4.4 The market RWA (item E) is automatically computed by the linkages to the subsequent forms.
- 4.5 The total RWA (item F) is automated as the sum of credit, operational, large risk exposure RWA for equity holdings, and market RWA.
- 4.6 The overall RWCR (item G) is automated by dividing the capital base (item A) with the total RWA (item F).

FORMG.2-RWA: CAPITAL REQUIREMENT AND RISK-WEIGHTED ASSETS EQUIVALENT FOR CONVENTIONAL BANKING OPERATIONS

- 4.7 This form summarises the capital requirement and risk-weighted assets equivalent according to major risk components of market risk using the Standardised Approach.
- 4.8 This form is fully automated whereby individual capital charge for each major risk component and the diversification effect (items A-F) are linked to the respective forms for Standardised Approach.
- 4.9 For Labuan banks using the Standardised Approach, the minimum capital required is the sum of the capital charge for each broad risk category (items A-E).

4.10 The total risk-weighted assets equivalent for market risk (item L) is the sum of the capital charge for each broad risk for the Standardised Approach, multiplied by 12.5.

FORMG.2-RWA: CAPITAL REQUIREMENT AND RISK WEIGHTED ASSETS EQUIVALENT FOR ISLAMIC WINDOW OPERATIONS

4.11 The computation on this form is similar to the previous form (Form G.2-RWA). However, there are some additional computations as this form summarises the capital requirement and risk-weighted assets for the Islamic window operations.

4.12 For Islamic window operations, Labuan banks need to consider the effect of alpha (α). Alpha is to reflect the displaced commercial risk which is the risk arising from Profit Sharing Investment Account- funded assets that is transferred to Labuan bank's capital due to income smoothing practice.

4.13 The total risk-weighted assets equivalent for market risk (item P) is the sum of the total risk-weighted assets for the Standardised Approach after taking into account the risk-weighted asset deductions due to alpha.

5.0 Standardised Approach

Standardised Approach Interest/Profit Rate Risk

- 5.1 The total interest/profit rate risk capital charge relates to interest/profit rate risk positions in the trading book of the Labuan bank. It is divided into specific and general market risk capital charge.
- 5.2 The quantum of the specific interest/profit rate risk charge is determined based on whether the issuer is established in a G10⁴ or non-G10 country, issuer ratings and remaining maturity.
- 5.3 For general interest/profit rate risk, firstly, Labuan banks would need to determine up front whether to use the “maturity” method or “duration” method. The relevant forms are labelled with ‘M’ for maturity method and ‘D’ for duration method.
- 5.4 The general interest/profit rate risk should be reported separately for each currency. Hence, Labuan banks must report their positions in US Dollar and other currencies, such as British Pounds, Japanese Yen, Euro, Singapore dollars etc, in separate forms and label them accordingly.
- 5.5 Labuan banks should use the standard alphabetic code for each currency as per the ISO 4217:2001 Codes for the Representation of Currencies and Funds in **Appendix I**. For currencies that are not listed, Labuan banks should report the currencies under the 'Others' category.

⁴ The Group of Ten (G10) is made up of eleven industrial countries namely Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom and the United States.

FORM SA-IR.1: CONVENTIONAL BANKING OPERATIONS SUMMARY (TOTAL ALL CURRENCIES)

FORM SA-IR.1I: ISLAMIC WINDOW OPERATIONS SUMMARY (TOTAL ALL CURRENCIES)

- 5.6 This form summarises the specific and general interest/profit rate risk charge.
- 5.7 The computation of the total specific interest/profit rate risk charges (item A) is automated.
- 5.8 The total general interest/profit rate risk charge (item B) is the summation of net position charge (item C), basis risk charge (item D) and yield curve risk charge (item E).
- 5.9 For items C-E, Labuan banks should report the figures as a summation of all the individual currencies using either the maturity or duration method.
- 5.10 The total interest/profit rate risk capital charge (item F) is the summation of the total specific and general interest/profit rate risk charge.

FORM SA-IR.2: CONVENTIONAL BANKING OPERATIONS SPECIFIC RISK

FORM SA-IR.2i SIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY SPECIFIC INVESTMENT ACCOUNT) SPECIFIC RISK

FORM SA-IR.2i GIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY GENERAL INVESTMENT ACCOUNT) SPECIFIC RISK

FORM SA-IR.2i NPSIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY NON-PROFIT SHARING INVESTMENT ACCOUNT) SPECIFIC RISK

5.11 This form calculates the specific interest/profit rate risk charge for interest/profit rate risk positions in the trading book.

5.12 Labuan banks should report the gross⁵ amount of interest/profit rate risk positions based on whether the issuer is established in a G10 or non-G10 country, issuer ratings and remaining maturity of the exposures. The gross amounts are then multiplied by the specific risk charge to arrive at the capital required.

⁵ Offsets are permitted for matched positions of identical issues only.

FORM SA-IR.3.1(M-NON G10): CONVENTIONAL BANKING OPERATIONS GENERAL RISK (FOR FINANCIAL INSTRUMENTS DENOMINATED IN NON-G10 CURRENCIES) - MATURITY METHOD

FORM SA-IR.3.1i(M-NON G10) SIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY SPECIFIC INVESTMENT ACCOUNT) GENERAL RISK (FOR FINANCIAL INSTRUMENTS DENOMINATED IN NON-G10 CURRENCIES) - MATURITY METHOD

FORM SA-IR.3.1i(M-NON G10) GIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY GENERAL INVESTMENT ACCOUNT) GENERAL RISK (FOR FINANCIAL INSTRUMENTS DENOMINATED IN NON-G10 CURRENCIES) - MATURITY METHOD

FORM SA-IR.3.1i(M-NON G10) NPSIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY NON-PROFIT SHARING INVESTMENT ACCOUNT) GENERAL RISK (FOR FINANCIAL INSTRUMENTS DENOMINATED IN NON-G10 CURRENCIES) - MATURITY METHOD

FORM SA-IR.3.2(M-G10): CONVENTIONAL BANKING OPERATIONS GENERAL RISK (FOR FINANCIAL INSTRUMENTS DENOMINATED IN G10 CURRENCIES) - MATURITY METHOD

FORM SA-IR.3.2i(M-G10) SIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY SPECIFIC INVESTMENT ACCOUNT) GENERAL RISK (FOR FINANCIAL INSTRUMENTS DENOMINATED IN G10 CURRENCIES) - MATURITY METHOD

FORM SA-IR.3.2i(M-G10) GIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY GENERAL INVESTMENT ACCOUNT) GENERAL RISK (FOR FINANCIAL INSTRUMENTS DENOMINATED IN G10 CURRENCIES) - MATURITY METHOD

FORM SA-IR.3.2i(M-G10) NPSIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY NON-PROFIT SHARING INVESTMENT ACCOUNT) GENERAL RISK (FOR FINANCIAL INSTRUMENTS DENOMINATED IN G10 CURRENCIES) - MATURITY METHOD

5.13 These forms are applicable to Labuan banks which use the maturity method for measuring general interest/profit rate risk. They provide the mechanics for calculating the components of general interest/profit rate risk of positions in the trading book.

- 5.14 Labuan banks are required to fill up the forms according to individual currencies, for both G10 and non-G10 currency. Labuan banks are required to choose the appropriate currency from the drop-down list incorporated in the reporting forms. Higher risk weights are assigned for interest/profit rate risk of non-G10 currency exposures. Labuan banks should create separate forms and rename the forms appropriately using the standard currency codes as stipulated in **Appendix I**. For example, for conventional banking operations exposures to Singapore Dollar, Thai Baht, US Dollar and Euro, Labuan banks using the maturity method should rename the forms as “SA-IR.3.1(M-SGD)”, “SA-IR.3.1(M-THB)”, “SA-IR.3.2(M-USD)” and “SA-IR.3.2(M-EUR)”. This naming methodology is applicable throughout the reporting forms, where relevant.
- 5.15 Labuan banks should report the exposures in the relevant time bands according to coupon of less than 3% and more than 3% as provided in these forms.
- 5.16 Interest/profit rate positions which are reported based on their respective interest/profit repricing date or maturity time bands, whichever is earlier, are recorded in rows P1 and P2. Both short and long positions should be entered as a positive value amount. The interest/profit rate positions are converted into price sensitivity measures (weighted long or short positions) by multiplying the assigned risk weights recorded in row P3. The weighted long and short positions will be used to calculate the net position charge, basis risk charge and yield curve risk charge.
- 5.17 For the purpose of completing this form, Labuan banks only need to fill rows P1 and P2 (the long and short interest/profit rate positions), while the rest will be automatically calculated.
- 5.18 An example of how the calculation of general risk (maturity method) is set out in **Example 1: Calculation of General Risk (Maturity Method) for Interest/Profit Rate Related Financial Instruments** of the market risk component of the BCAF.

FORM SA-IR.4.1(D-NON G10): CONVENTIONAL BANKING OPERATIONS GENERAL RISK (FOR FINANCIAL INSTRUMENTS DENOMINATED IN NON-G10 CURRENCIES) - DURATION METHOD

FORM SA-IR.4.1i(D-NON G10) SIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY SPECIFIC INVESTMENT ACCOUNT) GENERAL RISK (FOR FINANCIAL INSTRUMENTS DENOMINATED IN NON-G10 CURRENCIES) - DURATION METHOD

FORM SA-IR.4.1i(D-NON G10) GIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY GENERAL INVESTMENT ACCOUNT) GENERAL RISK (FOR FINANCIAL INSTRUMENTS DENOMINATED IN NON-G10 CURRENCIES) - DURATION METHOD

FORM SA-IR.4.1i(D-NON G10) NPSIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY NON-PROFIT SHARING INVESTMENT ACCOUNT) GENERAL RISK (FOR FINANCIAL INSTRUMENTS DENOMINATED IN NON-G10 CURRENCIES) - DURATION METHOD

FORM SA-IR.4.2(D-G10): CONVENTIONAL BANKING OPERATIONS GENERAL RISK (FOR FINANCIAL INSTRUMENTS DENOMINATED IN G10 CURRENCIES) - DURATION METHOD

FORM SA-IR.4.2i(D-G10) SIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY SPECIFIC INVESTMENT ACCOUNT) GENERAL RISK (FOR FINANCIAL INSTRUMENTS DENOMINATED IN G10 CURRENCIES) - DURATION METHOD

FORM SA-IR.4.2i(D-G10) GIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY GENERAL INVESTMENT ACCOUNT) GENERAL RISK (FOR FINANCIAL INSTRUMENTS DENOMINATED IN G10 CURRENCIES) - DURATION METHOD

FORM SA-IR.4.2i(D-G10) NPSIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY NON-PROFIT SHARING INVESTMENT ACCOUNT) GENERAL RISK (FOR FINANCIAL INSTRUMENTS DENOMINATED IN G10 CURRENCIES) - DURATION METHOD

5.19 These forms are applicable to Labuan banks which use the duration method of measuring general interest/profit rate risk. Similarly, they provide the mechanics for calculating the components of general interest/profit rate risk of positions in the trading book.

5.20 Labuan banks are required to fill up the forms according to individual currencies, for both G10 and non-G10 currency. Labuan banks are required to choose the

appropriate currency from the drop-down list incorporated in the reporting forms. Labuan banks should create separate forms and rename the forms appropriately using the standard currency codes as stipulated in **Appendix I**. For example, for conventional banking operations exposures to Singapore Dollar, Thai Baht, US Dollar and Euro, Labuan banks using the maturity method should rename the forms as “SA-IR.4.1(D-SGD)”, “SA-IR.4.1(D-THB)”, “SA-IR.4.2(D-USD)” and “SA-IR.4.2(D-EUR)”. This naming methodology is applicable throughout the reporting forms, where relevant.

- 5.21 Labuan banks should take note that the set of assumed yield change required in calculating the price sensitivities are categorised into non-G10 or G10 currency exposures.
- 5.22 Labuan banks should report the exposures in the relevant time bands according to coupon of less than 3% and more than 3% as provided in these forms.
- 5.23 The modified duration of each exposure is multiplied by the relevant yield change to arrive at the price sensitivities of each position. These sensitivity measures (weighted long or short position) in each position are slotted into either row A1 or A2 according to the duration ladder. Both short and long positions should be entered as a positive value amount. In addition, interest/profit rate positions in different currencies should be recorded in separate currency forms.
- 5.24 Similar to the maturity method, the calculation of basis risk, yield curve risk and net position charges will be automatically calculated upon filling rows A1 and A2.

Standardised Approach for Equity Position Risk

- 5.25 Labuan banks should report their specific risk and general risk for equity positions according to the type of equity and their respective national markets.
- 5.26 Matched positions in identical equity or stock index in each country may be fully offset, resulting in a single net long or net short positions to which the specific and general market risk charges will apply.

FORM SA-ER.1: CONVENTIONAL BANKING OPERATIONS SUMMARY (TOTAL ALL NATIONAL MARKETS)

FORM SA-ER.1i: ISLAMIC WINDOW OPERATIONS SUMMARY (TOTAL ALL NATIONAL MARKETS)

5.27 These forms capture the total capital charge for specific risk and general market risk of all equity positions in each individual national market. The total capital charge for specific and general risk (items A and B) should be a summation of each individual currency.

FORMSA(F)-ER.2: CONVENTIONAL BANKING OPERATIONS SPECIFIC AND GENERAL RISK

FORM SA(F)-ER.2i SIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY SPECIFIC INVESTMENT ACCOUNT) SPECIFIC AND GENERAL RISK

FORM SA(F)-ER.2i GIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY GENERAL INVESTMENT ACCOUNT) SPECIFIC AND GENERAL RISK

FORM SA(F)-ER.2i NPSIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY NON-PROFIT SHARING INVESTMENT ACCOUNT) SPECIFIC AND GENERAL RISK

5.28 A separate form should be created for equity positions in each national market capturing equity positions, equity derivative positions and equity option positions.

5.29 Labuan banks should create separate forms and rename appropriately the forms using the standard currency codes as stipulated in Appendix I. For example, for conventional banking operations exposures to Singapore Dollar, Thai Baht, US Dollar and Euro, Labuan banks should rename the forms as “SA(SGD)- ER.2”, “SA(THB)-ER.2”, “SA(USD)-ER.2” and “SA(EUR)-ER.2”. This naming methodology is applicable throughout the reporting forms, where relevant. Labuan banks are required to choose the appropriate currency from the drop-down list incorporated in the reporting forms.

5.30 For specific risk, equity positions and equity derivative positions (except equity options) are reported as current market value of the net equity or the underlying equity position. The individual net equity or underlying equity

positions are summed on an absolute value basis for each type of equity category.

- 5.31 The specific risk capital charge is the multiplication of the risk charges and the absolute value of all net positions in each equity⁶, regardless of whether it is net long or net short. Matching opposite position for the same equity issuer may be netted-off.
- 5.32 Specific risk of equity options is reported as the delta-weighted equity underlying position of the equity option. These delta-weighted positions are summed on an absolute value of all net delta positions in each equity. The specific risk capital charge is derived by multiplying the absolute sum of delta-weighted options' underlying positions with the relevant risk weights.
- 5.33 For general risk, equity positions and equity derivative positions (except equity options) are reported as current market value of the net equity or the net underlying equity position. These net equity or net underlying equity positions are divided into long and short positions that are summed into an overall net position for equities listed on the national market.
- 5.34 Only the general risk of equity options which are measured under the delta-plus method will be reported in this form. These delta-weighted positions are divided into long and short positions that are summed into an overall net position.
- 5.35 To arrive at the general risk charge, the overall net position for equity, equity derivatives and equity options are grouped by:
- a) Equity and equity underlying exposures in their respective national markets; and
 - b) Index exposures in their respective national markets and multiplied by the relevant general risk weights.

⁶ Net position in each equity refers to the net of short and long exposure to an individual company.

- 5.36 For capital charge under arbitrage strategies an example is available in **Example 2: Calculation of Equity Position Risk for Equity Arbitrage Strategies** of the market risk component of the Guidelines on Risk Weighted Assets.

Standardised Approach for Foreign Exchange Risk (including gold and silver positions)

FORM SA-FX.1: CONVENTIONAL BANKING OPERATIONS SUMMARY

FORM SA-FX.1I: ISLAMIC WINDOW OPERATIONS SUMMARY

- 5.37 These forms capture the total general risk and execution risk for conventional banking operations.
- 5.38 In addition, Labuan banks should report any structural foreign currency positions which are deliberately taken to hedge partially or totally against the adverse movements of the exchange rates on its RWCR may be excluded from the calculation of net open currency positions subject to the conditions stated in the market risk component of the Guidelines on Risk Weighted Assets.

FORM SA-FX.2: CONVENTIONAL BANKING OPERATIONS CAPITAL REQUIREMENT

FORM SA-FX.2i SIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY SPECIFIC INVESTMENT ACCOUNT) CAPITAL REQUIREMENT

FORM SA-FX.2i GIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY GENERAL INVESTMENT ACCOUNT) CAPITAL REQUIREMENT

FORM SA-FX.2i NPSIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY NON-PROFIT SHARING INVESTMENT ACCOUNT) CAPITAL REQUIREMENT

- 5.39 All⁷ on- and off-balance sheet assets and liabilities⁸ denominated in foreign currencies including gold and silver positions are subject to this capital charge. Labuan banks should report their exposures according to the line items of the currency specified in this form. For currencies that are not specified, Labuan banks should report under the 'Others' category.
- 5.40 The net position in each individual foreign currency is reported as either the market value (for trading book positions) or book value (for banking book positions) of the net position in each foreign currency converted at spot rates (as at date of reporting) into the USD, excluding structural positions.
- 5.41 The form will automatically compute for each currency line item the sum of either net long positions (item F) or net short positions (item G).
- 5.42 The gold and silver positions are recorded as total gross long and total gross short positions in physical and non-physical trading of gold and silver. Positions in gold and silver should be measured in terms of the standard unit of measurement which is then converted at reporting date spot exchange rate into USD⁹.

⁷ Includes private commercial enterprise's FX trading activities where the Islamic window operation has *mushārah* and/or *mudārah* asset exposure.

⁸ Includes foreign currency, equity, interest/profit rate and commodity related contracts denominated in foreign currency.

⁹ Where gold/silver is part of a forward contract (the quantity of gold/silver to be received or to be delivered), any interest rate or foreign currency exposure from the other leg of the contract should be reported as set out in **Part D.2.1 Interest/Profit Rate Risk**.

- 5.43 The total capital charge for foreign exchange including gold and silver positions risk (item R) would be 8% of the higher of the total net long or total net short foreign currency position.
- 5.44 For physical trading of gold and silver, an additional capital charge of 3% is applied on the total gross long and short positions respectively to account for execution risk (item V).

Standardised Approach for Commodities Risk

- 5.45 Labuan banks are required to choose either the Simplified Approach or the Maturity Ladder Approach for the exposures arising from commodities risk. These approaches are appropriate only for Labuan banks which, on relative terms, conduct only a limited amount of commodities business.
- 5.46 Labuan banks have to express each commodity position (spot plus forward) in terms of the standard unit of measurement (barrels, kilos, grams etc.). The total long and short position in each commodity will then be converted at current exchange rates into USD.
- 5.47 The capital charge should be calculated separately for each commodity. Long and short positions in each commodity may be reported on a net basis¹⁰ for the purposes of calculating open positions. Positions in different commodities will not be offsettable in this fashion. However, the commodities can be considered as offsettable if they are similar¹¹ in nature and exhibit a minimum correlation of 0.9 between the price movements can be clearly established over a minimum period of one year. Labuan bank wishing to base its calculation of capital charges for commodities on correlations would have to satisfy Labuan FSA of the accuracy of the method which has been chosen and obtain its prior approval.

¹⁰ Labuan banks may exclude long and short positions in identical underlying commodities.

¹¹ For example, CBOT Mini-sized Gold vs. 100oz gold; but not Mini-sized Silver vs. Mini- sized Gold.

FORM SA-CM.1: CONVENTIONAL BANKING OPERATIONS SUMMARY

FORM SA-CM.1i: ISLAMIC WINDOW OPERATIONS SUMMARY

5.48 This form summarises the commodities risk capital charge of the Simplified Approach and Maturity Ladder Approach for exposures in the conventional banking operations.

FORM SA-CM.2: CONVENTIONAL BANKING OPERATIONS SIMPLIFIED APPROACH

FORM SA-CM.2i SIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY SPECIFIC INVESTMENT ACCOUNT) SIMPLIFIED APPROACH

FORM SA-CM.2i GIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY GENERAL INVESTMENT ACCOUNT) SIMPLIFIED APPROACH

FORM SA-CM.2i NPSIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY NON-PROFIT INVESTMENT ACCOUNT) SIMPLIFIED APPROACH

5.49 Labuan banks using the Simplified Approach, should list each commodity as a separate line item and the total long and total short positions of each commodity should be reported separately.

5.50 In valuing the gross positions in commodity derivatives, Labuan banks should use the current spot price.

5.51 The form will automatically compute the capital charge for directional risk which is equal to 15% of the net position, long or short, in each commodity. In addition, to protect against basis risk, interest/profit rate risk and forward gap risk, Labuan banks are subject to additional capital charge equivalent to 3% of the Labuan bank's gross positions, long plus short, in that particular commodity.

5.52 The total commodities risk charge is the summation of all the risk charges for each commodity.

FORM SA-CM.3: CONVENTIONAL BANKING OPERATIONS MATURITY LADDER APPROACH

FORM SA-CM.3i SIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY SPECIFIC INVESTMENT ACCOUNT) MATURITY LADDER APPROACH

FORM SA-CM.3i GIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY GENERAL INVESTMENT ACCOUNT) MATURITY LADDER APPROACH

FORM SA-CM.3i NPSIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY NON-PROFIT SHARING INVESTMENT ACCOUNT) MATURITY LADDER APPROACH

- 5.53 For Labuan banks using the Maturity Ladder Approach, Labuan banks should list each commodity as a separate line item. Labuan bank should report total long and total short positions in each commodity.
- 5.54 In order to capture forward gap and interest/profit rate risk within a time-band, matched long and short positions in each time-band will carry a capital charge. Positions in the separate commodities (expressed in terms of the standard unit of measurement) will first be entered into a maturity ladder while physical stocks should be allocated to the first time-band. A separate maturity ladder will be used for each commodity. For each time-band, the sum of long and short positions which are matched will be multiplied by a spread rate of 1.5% for each time band.
- 5.55 The residual net positions from the nearer time-bands may then be carried forward to offset exposures in time-bands that are further out. Recognising that such hedging of positions among different time-bands is imprecise, a surcharge equal to 0.6% of the net position carried forward will be added in respect of each time-band that the net position is carried forward. The capital charge for each matched amount created by carrying net positions forward will be calculated as the paragraph above. At the end of this process, the Labuan bank will have either only long or only short positions, to which a capital charge of 15% will apply. An example of how the maturity ladder approach works is set out in **Example 3: Maturity Ladder Approach for Commodities Risk** of the market risk component of the Guidelines on Risk Weighted Assets.

Standardised Approach for Options Risk

- 5.56 Labuan banks are required to report their underwriting risk positions based on the Underlying Position Approach. Under this approach, underwriting of equity and debt/*sukūk* activities are subject to separately calculated capital charges that incorporate both specific risk and general risk. The capital charge numbers are then added to the capital charges of the other risk categories.
- 5.57 For activities involving options other than underwriting, there are four approaches available for measuring options related risks namely the simplified approach, delta-plus approach, scenario approach and internal models approach. Labuan banks with significant options trading activities will be expected to use a more sophisticated approach.

FORM SA-OP.1: CONVENTIONAL BANKING OPERATIONS SUMMARY (TOTAL ALL OPTION POSITIONS)

FORM SA-OP.1i: ISLAMIC WINDOW OPERATIONS SUMMARY (TOTAL ALL OPTION POSITIONS)

- 5.58 This form summarises the option risk charge for the Underlying Position Approach, Simplified Approach, Delta-plus Method and Scenario Approach.

FORM SA-OP.2: CONVENTIONAL BANKING OPERATIONS UNDERLYING POSITION APPROACH

FORM SA-OP.2i SIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY SPECIFIC INVESTMENT ACCOUNT) UNDERLYING POSITION APPROACH

FORM SA-OP.2i GIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY GENERAL INVESTMENT ACCOUNT) UNDERLYING POSITION APPROACH

FORM SA-OP.2i SIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY NON-PROFIT SHARING INVESTMENT ACCOUNT) UNDERLYING POSITION APPROACH

- 5.59 Labuan banks with underwriting of equity IPO, rights issues and debt securities/*sukūk* exposures should use the underlying position approach to measure the specific risk and general risk charge of equity underwriting and specific risk charge of debt underwriting.

5.60 The capital charge for underwriting equity or debt securities/*sukūk*=

$$\begin{aligned} & \text{(the USD equivalent amount underwritten by the Labuan bank)} \\ & \quad \times \\ & \text{(specific and general risk charges for equity risk arising from equity} \\ & \text{underwriting or specific risk charge for securities/*sukūk* arising from debt/} \\ & \quad \text{*sukūk* underwriting)} \\ & \quad \times \\ & \text{(50\% conversion factor)} \end{aligned}$$

5.61 In the case of underwriting debt securities/*sukūk*, the general risk capital charge should be computed in **Part D.2.1 Interest/Profit Rate Risk**.

FORM SA-OP.3: CONVENTIONAL BANKING OPERATIONS SIMPLIFIED APPROACH

FORM SA-OP.3i SIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY SPECIFIC INVESTMENT ACCOUNT) SIMPLIFIED APPROACH

FORM SA-OP.3i GIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY GENERAL INVESTMENT ACCOUNT) SIMPLIFIED APPROACH

FORM SA-OP.3i NPSIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY NON-PROFIT SHARING INVESTMENT ACCOUNT) SIMPLIFIED APPROACH

5.62 This approach is available for Labuan banks which handles a limited range of purchased options only.

5.63 For short cash and long call or long cash and long put, the capital charge will be the market value of the underlying security¹² multiplied by the sum of

¹² In some cases such as foreign exchange, it may be unclear which side is the 'underlying security'; this should be taken to be the asset which would be received if the option were exercised. In addition the nominal value should be used for items where the market value of the underlying instrument could be zero, for example caps and floors, swaptions etc.

specific and general market risk charges¹³ for the underlying less the amount the option is in the money (if any) bounded at zero¹⁴.

- 5.64 For long call or long put position, the capital charge will be the lesser of:
- a) the market value of the underlying security multiplied by the sum of specific and general market risk charges for the underlying (item E); or
 - b) intrinsic value of the options¹⁵.

FORM SA-OP.4: CONVENTIONAL BANKING OPERATIONS DELTA-PLUS METHOD - GAMMA AND VEGA RISKS CAPITAL CHARGE

FORM SA-OP.4i SIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY SPECIFIC INVESTMENT ACCOUNT) DELTA-PLUS METHOD - GAMMA AND VEGA RISKS CAPITAL CHARGE

FORM SA-OP.4i GIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY GENERAL INVESTMENT ACCOUNT) DELTA-PLUS METHOD - GAMMA AND VEGA RISKS CAPITAL CHARGE

FORM SA-OP.4i NPSIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY NON-PROFIT SHARING INVESTMENT ACCOUNT) DELTA-PLUS METHOD - GAMMA AND VEGA RISKS CAPITAL CHARGE

5.65 This form is applicable to Labuan banks which elect to use the delta-plus method.

5.66 However, since delta does not cover all risks associated with option positions, Labuan banks are also required to measure Gamma (which measures the rate of change of delta) and Vega (which measures the sensitivity of the value of

¹³ Some options (for example, where the underlying is an interest rate, a currency or a commodity) bear no specific risk but specific risk will be present in the case of options on certain interest/profit rate related instruments (for example, options on a corporate debt security/*sukūk* or corporate bond index and for options on equities and stock indices. The charge under this measure for currency options will be 8% and for options on commodities 15%.

¹⁴ For options with a residual maturity of more than six months the strike price should be compared with the forward, not current, price. A bank unable to do this must take the in the money amount to be zero.

¹⁵ Where the position does not fall within the trading book (that is options on certain foreign exchange or commodities positions not belonging to the trading book), it may be acceptable to use the book value instead.

an option with respect to a change in volatility) in order to calculate the total capital charge.

5.67 The option positions are broken down into their respective underlying and grouped accordingly by the respective classes of underlying defined as follows:

- for interest/profit rates, by currency interest/profit rate risk and time bands as set out in the market risk component of the Guidelines on Risk Weighted Assets;
- for equities and stock indices, each national market;
- for foreign currencies, each currency pair; and
- for commodities, each class of commodities.

Gamma Risk

5.68 Gamma risk is calculated based on the following formula

$$\text{Gamma impact} = \frac{1}{2} \times \text{Gamma} \times (\text{VU})^2$$

where VU denotes the variation in the price of the option's underlying and is calculated as follows:

- For interest/profit rate options, the market value or position sensitivity of the underlying multiplied by the risk weights set out in the market risk component of the Guidelines on Risk Weighted Assets;
- For options on equities and equity indices, the market value of the underlying multiplied by the general risk charges set out in the market risk component of the Guidelines on Risk Weighted Assets;
- For options on foreign exchange, the market value of the underlying multiplied by 8%; and
- For options on commodities, the market value of the underlying multiplied by 15%.

- 5.69 The Gamma impact for each class of underlying in each risk category is summed up arriving at a net Gamma impact. To arrive at the total Gamma charge for each risk category, only the negative net gamma impact in each class of underlying are added.
- 5.70 For additional regulatory reporting purposes, Labuan banks are also required to compute the Gamma impact for each class of underlying in each risk categories based on a specified variation in the price of the option's underlying.
- 5.71 The specified variation in the price of the option's underlying are as follows:
- 100bps for interest/profit rates 1 year or less and 75bps for interest/profit rates over 1 year;
 - 30% for equity options;
 - 10% for foreign exchange options; and
 - 15% for agriculture and metal commodities and 20% for energy commodities.

Vega Risk

- 5.72 The Vega risk of option positions in each class of underlying is calculated as:
- $$\text{Vega risk} = \text{Vega} \times 25\% \text{ shift in assumed volatility of the underlying}$$
- 5.73 The total charge for Vega risk in each risk category is the sum of absolute value of Vega risk in each class of underlying.
- 5.74 For additional regulatory reporting purposes, Labuan banks are also required to compute the Vega risk for each class of underlying in each risk categories based on the shift in assumed underlying volatility of 50%.
- 5.75 An example of the computation of delta-plus approach is set out in **Example 4: Delta-Plus Methods for Options** of the market risk component of the Guidelines on Risk Weighted Assets.

FORM SA-OP.5.1: CONVENTIONAL BANKING OPERATIONS SCENARIO APPROACH - GENERAL RISK CHARGE

FORM SA-OP.5.1i SIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY SPECIFIC INVESTMENT ACCOUNT) SCENARIO APPROACH - GENERAL RISK CHARGE

FORM SA-OP.5.1i GIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY GENERAL INVESTMENT ACCOUNT) SCENARIO APPROACH - GENERAL RISK CHARGE

FORM SA-OP.5.1i NPSIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY NON-PROFIT SHARING INVESTMENT ACCOUNT) SCENARIO APPROACH - GENERAL RISK CHARGE

- 5.76 This form is applicable to Labuan banks which elect to use the Scenario Approach to measure the general risk of all option positions.
- 5.77 Labuan banks are expected to use simulation techniques to calculate the largest loss of the option or options portfolio given changes in the price of the underlying and the implied. The general risk charge will be equivalent to the absolute value of the largest loss calculated in the Labuan bank's internal simulation.
- 5.78 Labuan banks are required to record the sum of general risk charges for options instrument according to interest/profit rate risk, equity risk and foreign exchange risk based on their internal simulations. Labuan banks are also required to provide the market value of the options portfolio.
- 5.79 An example of the computation of scenario approach is set out in **Example 5: The Scenario Approach for Options** of the market risk component of the Guidelines on Risk Weighted Assets.

FORM SA(F)-OP.5.2: CONVENTIONAL BANKING OPERATIONS SCENARIO APPROACH - REVALUATION MATRIX

FORM SA(F)-OP.5.2i SIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY SPECIFIC INVESTMENT ACCOUNT) SCENARIO APPROACH - REVALUATION MATRIX

FORM SA(F)-OP.5.2i GIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY GENERAL INVESTMENT ACCOUNT) SCENARIO APPROACH - REVALUATION MATRIX

FORM SA(F)-OP.5.2i NPSIA: ISLAMIC WINDOW OPERATIONS (FINANCED BY NON- PROFIT SHARING INVESTMENT ACCOUNT) SCENARIO APPROACH - REVALUATION MATRIX

5.80 In addition to reporting for capital calculation purposes, Labuan banks are also required to conduct a separate simulation based on the revaluation matrix, for regulatory reporting purposes only.

6.0 Market Risk Reporting Forms

6.1 The market risk reporting forms can be downloaded from Labuan FSA's website (www.labuanibfc.com).

Appendix I ISO 4217:2001 Codes for the Representation of Currencies and Funds

AED - UAE Dirham	DOP - Dominican Peso
AFN - Afghanistan Afghani	DZD - Algerian Dinar
ALL - Albanian Lek	EEK - Estonian Kroon
AMD - Armenian Dram	EGP - Egyptian Pound
ANG - Netherlands Antillian Guilder	ERN - Nakfa
AOA - Angolan Kwanza	ETB - Ethiopian Birr
ARS - Argentine Peso	EUR - Euro
AUD - Australian Dollar	FJD - Fiji Dollar
AWG - Aruban Guilder	FKP - Falkland Islands Pound
AZN - Azerbaijanian Manat	GBP - Pound Sterling
BAM - Bosnia and Herzegovina Convertible Marks	GEL - Georgian Lari
BBD - Barbados Dollar	GHC - Ghanaian Cedi
BDT - Bangladeshi Taka	GIP - Gibraltar Pound
BGN - Bulgarian Lev	GMD - Gambian Dalasi
BHD - Bahraini Dinar	GNF - Guinea Franc
BIF - Burundi Franc	GTQ - Guatemalan Quetzal
BMD - Bermudian Dollar	GWP - Guinea-Bissau Peso
BND - Brunei Dollar	GYD - Guyana Dollar
BOB – Bolivianc Boliviano	HKD - Hong Kong Dollar
BOV - Bolivian Mvdol	HNL - Honduran Lempira
BRL - Brazilian Real	HRK - Croatian Kuna
BSD - Bahamian Dollar	HTG - Haitian Gourde
BTN - Bhutan Ngultrum	HUF - Hungarian Forint
BWP - Botswana Pula	IDR - Indonesian Rupiah
BYR - Belarussian Ruble	ILS - New Israeli Sheqel
BZD - Belize Dollar	INR - Indian Rupee
CAD - Canadian Dollar	IQD - Iraqi Dinar
CDF - Franc Congolais	IRR - Iranian Rial
CHE - WIR Euro	ISK - Iceland Krona
CHF - Swiss Franc	JMD - Jamaican Dollar
CHW - WIR Franc	JOD - Jordanian Dinar
CLF - Unidades de formento	JPY - Japanese Yen
CLP - Chilean Peso	KES - Kenyan Shilling
CNY - Chinese Yuan Renminbi	KGS - Krgyzstanian Som
COP - Colombian Peso	KHR - Cambodian Riel
COU - Unidad de Valor Real	KMF - Comoro Franc
CRC - Costa Rican Colon	KPW - North Korean Won
CUP - Cuban Peso	KRW - Korean Won
CVE - Cape Verde Escudo	KWD - Kuwaiti Dinar
CYP - Cyprus Pound	KYD - Cayman Islands Dollar
CZK - Czech Koruna	KZT – Tenge
DJF - Djibouti Franc	LAK – Kip
DKK - Danish Krone	LBP - Lebanese Pound

LKR - Sri Lanka Rupee	SDG - Sudanese Dinar
LRD - Liberian Dollar	SEK - Swedish Krona
LSL - Lesotho Loti	SGD - Singapore Dollar
LTL - Lithuanian Litas	SHP - Saint Helena Pound
LVL - Latvian Lats	SIT - Slovenian Tolar
LYD - Libyan Dinar	SKK - Slovak Koruna
MAD - Moroccan Dirham	SLL - Leone
MDL - Moldovan Leu	SOS - Somali Shilling
MGA - Malagascy Ariary	SRD - Surinam Dollar
MKD - Macedonian Denar	STD - Dobra
MMK - Myanmar Kyat	SVC - El Salvador Colon
MNT - Mongolian Tugrik	SYP - Syrian Pound
MOP - Macau Pataca	SZL - Lilangeni
MRO - Mauritanian Ouguiya	THB - Thai Baht
MTL - Maltese Lira	TJS - Somoni
MUR - Mauritius Rupee	TMM - Turkmenistan Manat
MVR – Rufiyaa	TND - Tunisian Dinar
MWK - Malawi Kwacha	TOP - Tongan Pa'anga
MXN - Mexican Peso	TRY - New Turkish Lira
MXV - Mexican Unidad de Inversion	TTD - Trinidad and Tobago Dollar
MYR - Malaysian Ringgit	TWD - Taiwan Dollar
MZN – Metical	TZS - Tanzanian Shilling
NAD - Namibian Dollar	UAH - Hryvnia
NGN - Nigerian Naira	UGX - Uganda Shilling
NIO - Cordoba Oro	USD - US Dollar
NOK - Norwegian Krone	UYI - Uruguay Peso en Unidades Indexadas
NPR - Nepalese Rupee	UYU - Peso Uruguayo
NZD - New Zealand Dollar	UZS - Uzbekistan Sum
OMR - Rial Omani	VEB - Venezuelan Bolivar
PAB - Panamanian Balboa	VND - Vietnamese Dong
PEN - Peruvian Nuevo Sol	VUV - Vanuatu Vatu
PGK - Papua New Guinea Kina	WST - Samoan Tala
PHP - Philippine Peso	XAG – Silver
PKR - Pakistan Rupee	XAU – Gold
PLN - Polish Zloty	XPD – Palladium
PYG - Paraguay Guarani	XPT – Platinum
QAR - Qatari Rial	YER - Yemeni Rial
ROL - Old Leu	ZAR - South African Rand
RON - New Leu	ZMK - Zambian Kwacha
RSD - Serbian Dinar	ZWD - Zimbabwe Dollar
RUB - Russian Ruble	
RWF - Rwanda Franc	
SAR - Saudi Riyal	
SBD - Solomon Islands Dollar	
SCR - Seychelles Rupee	