CALCULATION OF THE CAPITAL REQUIREMENT FOR FOREIGN EXCHANGE

Calculate the net open position in each currency, excluding the base currency.

Convert into the home currency (€) at spot rates.

FOR FOREIGN CURRENCIES SUBJECT TO THE BASIC METHOD:

The sum of all the net short positions[1] (each converted into the reporting currency)	W
The sum of all the net long positions[1] (each converted into the reporting currency)	X
The overall net foreign exchange position	= Y = the larger of W and X
Capital charge	= Y x 8% = **Z**

FOR CURRENCIES SUBJECT TO THE BACKTESTING METHOD: A

(including capital charges incurred if backtesting does not take account of all option risks)

MATCHED POSITIONS IN CLOSELY CORRELATED CURRENCIES	= l
CAPITAL CHARGE	= l x 4% = L
CURRENCIES IN 2ND STAGE OF EMU	= M x 1.6%

EXTRA CAPITAL CHARGES FOR OPTIONS:

Options treated using the carve-out	= **C**
Options treated using a recognised model	= **D**

FOR GOLD[2]:

Net open position (long or short)	= g
Capital charge under basic method (or capital charge under backtesting method subject to a floor)	= g x 8% = **G**

TOTAL CAPITAL REQUIREMENT (TOTAL HAIRCUT) = Z + A + L + C + D + G + M

(1) *Including unmatched positions in closely correlated currencies.*
(2) *Please note that positions in silver, platinum and palladium and similar precious metal should be considered as commodities and not as positions in foreign currency.*
(3) *The base currency is that convertible currency in which the credit institution's share capital is denominated.*