

**EXAMPLE: CALCULATION OF INCREMENTAL TRADING BOOK CAPITAL REQUIREMENTS FOR EXCESS LARGE EXPOSURES (see paragraph 11(2)).**

THE CAPITAL BASE OF THE INSTITUTION COMPRISES:

	€
Capital base (Original Own Funds and Additional Own Funds)	1,000
Eligible Supplementary Own Funds capital	100
<b>Amended capital Base</b>	<b>1,100</b>

THE COMPONENTS OF THE LARGE EXPOSURE COMPRISE:

	€
Counterparty Exposure	200
Mark to market value of trading book securities	
	<b>% Specific risk weight</b>
Short: Qualifying bond	1.00 (20)
Long: Qualifying commercial paper	0.25 100
Long: Equity	4.00 150
Long: Qualifying convertible	1.60 30
<b>Total net large exposures position</b>	<b>460</b>
<b>o/w Net long securities position</b>	<b>260</b>

**Steps in calculation**

*Paragraph 11(2) a)*

The short position in qualifying bond is offset against the highest specific risk weight items – in this case equities:

	€
Net long equity position (Lm150 – Lm20)	130

*Paragraph 11(2) b)*

Rank remaining net long securities positions according to specific risk weight.

% Specific Risk		€
0.25	Qualifying commercial paper	100
1.60	Qualifying convertible	30
4.00	Equity (net)	130

*Paragraph 11(2) c)*

- i) Calculate “headroom” between non-securities exposures and 25% of amended capital base.

	€
25% of amended capital base (Lm1,100)	275
Non securities exposures	200
Headroom	<u>75</u>

*Paragraph 11(2) d)*

- (ii) Applying securities positions in ascending order of specific risk weight.

€75 of the €100 qualifying commercial paper may be counted before 25% of the amended capital base is reached.

The remaining €25 qualifying commercial paper, along with € 30 qualifying convertible and €130 equity (net) are traded securities exposures in excess of the limit and require incremental capital.

*Paragraph 11(2) d) i)*

**If the excess exposure has been extant for 10 days or less, the specific risk weights are doubled.**

Qualifying commercial paper	€
€25 x 0.25% x 200% = Qualifying convertible	0.125
€30 x 1.60% x 200% = Equity	0.96
€130 x 4% x 200%	10.40
	<hr/>
Additional capital requirement	11.485

*Paragraph 11(2) d) (ii)*

**If the excess exposure has been extant for more than 10 days.**

[	€460	Net Large Exposures position (both books)]
	less	
[	€200	Counterparty exposure (banking book)]
	less	
[	€ 75	Securities exposures ('headroom')]

results in excess exposures of €185

Up to 40% of amended capital base at 200%

(40% of €1,100 = €440)	€
€ 25 x 0.25% x 200% =	0.125
€ 30 x 1.60% x 200% =	0.96
€110 x 4.00% x 200% =	8.80

Excess exposure i.e. which falls into the 40% - 60% of amended capital base at 300%

€ 20 x 4.00% x 300% =	2.40
-----------------------	------

Additional capital requirement on the Total Net Large Exposures position of €460

---

12.285

---