

Standardised approach to market risk part

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Near Final Draft

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Near Final Draft

1 Application and definitions

1.1 This Part applies to a JIB.

2 Level of application

2.1 A JIB must comply with this Part on the basis of its consolidated position, unless the JFSC has agreed a variance in accordance with the Risk-Based Capital Requirements Part.

3 Foreign Exchange Positions

Positions

3.1 For every individual foreign currency (i.e. other than the reporting currency of the JIB), calculate the net position, which may be positive or negative, being the sum of:

(1) The net spot position

and

(2) The net forward position

3.2 The net spot position, which may be positive or negative, must be calculated as:

(1) Balance Sheet Assets. Total balance sheet assets denominated in the foreign currency or group of currencies

minus

(2) Balance Sheet Liabilities. Total balance sheet liabilities denominated in the foreign currency or group of currencies

1.2 The net forward position, which may be positive or negative, must be calculated as:

(1) Forward Gross Purchases. All forward purchases of the foreign currency or group of currencies

minus

(2) Forward Gross Sales. All forward sales of the foreign currency or group of currencies

3.3 For the reporting currency, the net position must be calculated as the sum of all net positions for every foreign currency but with the opposite sign (i.e. negative if the sum is positive and vice-versa)

3.4 The total net long exposure is the total of net positions for any currency (foreign or reporting currency) but only where the net position for that currency is positive.

RWAs

3.5 The RWAs for foreign exposure risk must be calculated as equal to the total net long exposure.

4 Gold

Position

4.1 Calculate the net gold position, which may be positive or negative, being the sum of:

(3) The net spot position

and

- (4) The net forward position
- 4.2 The net spot position, which may be positive or negative, must be calculated as:
 - (5) Balance Sheet Assets. Total balance sheet gold assets
minus
 - (6) Balance Sheet Liabilities. Total balance gold sheet liabilities
- 1.3 The net forward position, which may be positive or negative, must be calculated as:
 - (1) Forward Gross Purchases. All forward purchases of gold
minus
 - (2) Forward Gross Sales. All forward sales of gold
- 4.3 The total net long exposure is the absolute value of the net gold position.

RWAs

- 4.4 The RWAs for foreign exposure risk must be calculated as equal to the total net long exposure.

5 Commodities

Introduction

- 5.1 The RWAs for all commodity positions should be calculated as follow, except for gold, which is treated as per section 4.
- 5.2 The JIB is required to offset current and future exposures to arrive at a net position, and the capital charge (simplified measure) is made up of elements for the net and gross positions.

Reporting and calculation of capital charge

- 5.3 The groupings are:
 - (1) Precious metals (excluding gold)
 - (2) Base metals
 - (3) Energy contracts
 - (4) Other Contracts

Commodity Exposure

- 5.4 For each of these four groupings, calculate for all commodities falling within that group:
 - (1) gross long: the absolute value of all long positions
 - (2) gross short: the absolute value of all short positions
 - (3) net position, being calculated as gross long less gross short.
 - (4) simplified measure, being calculated as 15% of the absolute value of the net position plus 3% of the sum of gross long plus gross short.
- 5.5 The total commodities measure is the sum of the four simplified measures.

RWAs

- 5.6 The RWAs for commodities must be calculated as 12.5 times the total commodities measure.